

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular (the “**offering circular**”) attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that the access to the offering circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.**

**THE SECURITIES (THE “SECURITIES”) (AS DESCRIBED IN THE OFFERING CIRCULAR) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.**

**THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**Confirmation of Your Representation:** You have accessed the attached document on the basis that you have represented to the **Managers** (as defined in the attached offering circular) that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The offering circular is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the “**EEA**”).

The communication of the offering circular and any other document or materials relating to the issue of the Securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the Securities described in the offering circular are only available to, and any investment or investment activity to which the offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the offering circular or any of its contents.

**PRIIPs Regulation / Prohibition of sales to EEA retail investors** – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

The offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither we, the Managers nor any of their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the offering circular distributed to you in electronic format or any difference between the offering circular distributed to you in electronic format and the hard copy version.

**Restrictions:** The offering circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Securities.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of us or the Managers to subscribe or purchase any of the Securities, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of us in such jurisdiction. Any Securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities.

You are reminded that you have accessed the offering circular on the basis that you are a person into whose possession the offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

**Actions that you may not take:** If you receive the offering circular by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

**You are responsible for protecting against viruses and other destructive items.** Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offering. If you are in any doubt about any of the contents of this offering circular, you should obtain independent professional’s advice.

## OFFERING CIRCULAR

### CSSC CAPITAL ONE LIMITED

#### 中船资本一号有限公司

(incorporated with limited liability under the laws of the British Virgin Islands)

**US\$485,000,000 4.125% Credit Enhanced Bonds due 2021**  
**with the benefit of a USD Keepwell Deed provided by**



**中国船舶工业集团有限公司**  
**CHINA STATE SHIPBUILDING CORPORATION LIMITED**

### China State Shipbuilding Corporation Limited

(incorporated in the People's Republic of China)

**and an irrevocable USD Standby Letter of Credit provided by**  
**ICBC, Shanghai Municipal Branch**

**Issue Price: 99.953%**

### CSSC CAPITAL TWO LIMITED

#### 中船资本二号有限公司

(incorporated with limited liability under the laws of the British Virgin Islands)

**€300,000,000 1.75% Credit Enhanced Bonds due 2023**  
**with the benefit of a Euro Keepwell Deed provided by**



**中国船舶工业集团有限公司**  
**CHINA STATE SHIPBUILDING CORPORATION LIMITED**

### China State Shipbuilding Corporation Limited

(incorporated in the People's Republic of China)

**and an irrevocable Euro Standby Letter of Credit provided by**  
**ICBC, Shanghai Municipal Branch**

**Issue Price: 99.962%**

The 4.125% Credit Enhanced Bonds due 2021 in the aggregate principal amount of US\$485,000,000 (the "USD Bonds") will be issued by CSSC Capital One Limited (the "USD Issuer"). The USD Issuer is an indirect wholly-owned subsidiary of China State Shipbuilding Corporation Limited (the "Company"). The 1.75% Credit Enhanced Bonds due 2023 in the aggregate principal amount of €300,000,000 (the "Euro Bonds") will be issued by CSSC Capital Two Limited (the "Euro Issuer") (and, together with the USD Issuer, the "Issuers"). The Euro Issuer is an indirect wholly-owned subsidiary of the Company. The USD Bonds together with the Euro Bonds are referred to as the Bonds (the "Bonds").

Payments of principal and interest in respect of the USD Bonds will have the benefit of an irrevocable standby letter of credit (the "USD Standby Letter of Credit") denominated in U.S. dollars and issued by ICBC, Shanghai Municipal Branch (the "LC Bank"). Payments of principal and interest in respect of the Euro Bonds will have the benefit of an irrevocable standby letter of credit (the "Euro Standby Letter of Credit") and, together with the USD Standby Letter of Credit, the "Standby Letters of Credit" denominated in Euro and issued by the LC Bank. Please see "Appendix A1 – Form of USD Standby Letter of Credit" and "Appendix A2 – Form of Euro Standby Letter of Credit" for the forms of the Standby Letters of Credit.

Interest on the USD Bonds is payable semi-annually in arrears on March 27 and September 27 of each year, beginning March 27, 2019. Interest on the Euro Bonds is payable annually in arrears in each year with the first interest payment date on September 27, 2019. Payments on the Bonds will be made without deduction for or on account of taxes of the British Virgin Islands, Hong Kong and the People's Republic of China to the extent described under "Terms and Conditions of the USD Bonds – Taxation" and "Terms and Conditions of the Euro Bonds – Taxation."

The Company, the USD Issuer and Bank of Communications Trustee Limited as trustee (the "Trustee") will enter into a USD keepwell deed (the "USD Keepwell Deed"), as more fully described under "Description of the Keepwell Deeds". The USD Keepwell Deed does not constitute a guarantee by the Company of the obligations of the USD Issuer under the USD Bonds. The Company, the Euro Issuer and the Trustee will enter into a Euro keepwell deed (the "Euro Keepwell Deed"), as more fully described under "Description of the Keepwell Deeds". The Euro Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Euro Issuer under the Euro Bonds. The USD Keepwell Deed, together with the Euro Keepwell Deed, are referred to as the "Keepwell Deeds".

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuers and shall at all times *pari passu* and without any preference or priority among themselves. The USD Bonds and the Euro Bonds mature on September 27, 2021 and September 27, 2023, respectively, at their principal amount. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with interest accrued to but excluding the date fixed for redemption, at the option of the Issuers at any time in the event of certain changes affecting taxes of the British Virgin Islands, Hong Kong or the People's Republic of China. At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the USD Bonds and the Terms and Conditions of the Euro Bonds, respectively), the holder of any Bond will have the right, at such holder's option, to require the Issuers to redeem all, but not some, of that holder's Bonds at 100% of their principal amount, together with accrued interest to but excluding the Change of Control Put Date (as defined in the Terms and Conditions of the USD Bonds and the Terms and Conditions of the Euro Bonds, respectively). The Issuers may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days' notice, at a redemption price equal to the Make Whole Redemption price (as defined in the Terms and Conditions of the USD Bonds and the Terms and Conditions of the Euro Bonds, respectively) together with interest accrued to the date fixed for redemption. See "Terms and Conditions of the USD Bonds – Redemption and Purchase" and "Terms and Conditions of the Euro Bonds – Redemption and Purchase."

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 20 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Standby Letters of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Standby Letters of Credit are being offered only outside the United States in reliance on Regulation S under the Securities Act.

For a description of these and certain further restrictions on offers and sales of the Bonds, the Standby Letters of Credit and the distribution of this offering circular, see "Subscription and Sale."

The denomination of the USD Bonds shall be US\$200,000 and integral multiples of US\$1,000 in excess thereof. The denomination of the Euro Bonds shall be €100,000 and integral multiples of €1,000 in excess thereof.

With respect to the USD Bonds, application has been made to The Stock Exchange of Hong Kong Limited (SEHK) for the listing of the USD Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only. This offering circular is for distribution to Professional Investors only. Investors should not purchase the USD Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The USD Bonds are only suitable for Professional Investors.

SEHK has not reviewed the contents of this offering circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this offering circular to Professional Investors only have been reproduced in this offering circular. Listing of the USD Bonds on SEHK is not to be taken as an indication of the commercial merits or credit quality of the USD Bonds or the USD Issuer and the Company, or quality of disclosure in this offering circular. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this offering circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular.

With respect to the Euro Bonds, application has been made to the SEHK for the listing of the Euro Bonds by way of debt issues to Professional Investors only. This offering circular is for distribution to Professional Investors only. Investors should not purchase the Euro Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Euro Bonds are only suitable for Professional Investors. SEHK has not reviewed the contents of this offering circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this offering circular to Professional Investors only have been reproduced in this offering circular. Listing of the Euro Bonds on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Euro Bonds or the Euro Issuer and the Company, or quality of disclosure in this offering circular. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this offering circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular.

With respect to the Euro Bonds, application has also been made for the Euro Bonds to be admitted to listing on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin") and for admission to trading on the Global Exchange Market which is the exchange regulated market of the Euronext Dublin. This document constitutes listing particulars for the purpose of the application to be approved by the Euronext Dublin. However, there can be no assurances that any such application will be successful or any such listing will be granted or maintained. The Global Exchange Market of the Euronext Dublin is not a regulated market for the purposes of Directive 2014/65/EU, as amended. Each of the Company and the Euro Issuer accepts full responsibility for the accuracy of the information contained in this offering circular and confirms, having taken all reasonable care to ensure that such is the case, the information contained in this offering circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Bonds are expected to be rated "A1" by Moody's Investor Services, Inc. ("Moody's"). Such rating of the Bonds does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by Moody's. Such rating should be evaluated independently of any other rating of the other securities of the Issuer, the Company or the LC Bank or of the Issuer, the Company or the LC Bank.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on June 21, 2018 evidencing such registration. Pursuant to the NDRC Notice, will file or cause to be filed the requisite information and documents relating to the issue of the Bonds with the NDRC within 10 PRC Business Days (as defined in the Terms and Conditions of the USD Bonds and the Terms and Conditions of the Euro Bonds, respectively) after the Issue Date (as defined below).

The USD Bonds will initially be represented by interests in a global certificate (the "USD Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about September 27, 2018 (the "Issue Date") with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Interests in the USD Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as provided in the USD Global Certificate and described herein, certificates for the USD Bonds will not be issued in exchange for interests in the USD Global Certificate.

The Euro Bonds will initially be represented by interests in a global certificate (the "Euro Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream. Interests in the Euro Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as provided in the Euro Global Certificate and described herein, certificates for the Euro Bonds will not be issued in exchange for interests in the Euro Global Certificate.

#### Joint Global Coordinators

ICBC

Barclays

CCB International

#### Joint Bookrunners

ICBC

Barclays

CCB International

Bank of China

Bank of Communications

BOSC International

Industrial Bank Co., Ltd.  
Hong Kong Branch

Société Générale Corporate & Investment Banking

The date of this offering circular is September 20, 2018

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## IMPORTANT NOTICE

**This offering circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering circular or that the information contained in this offering circular is correct as of any time after that date.**

**IN CONNECTION WITH THIS OFFERING, ANY MANAGER APPOINTED AND ACTING IN ITS CAPACITY AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY OVER ALLOT, PURCHASE AND SELL THE BONDS IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE BONDS. AS A RESULT, THE PRICE OF THE BONDS MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME.**

We, having made all reasonable inquiries, confirm that: (i) this offering circular contains all information with respect to us, our subsidiaries and affiliates referred to in this offering circular, the Bonds, the Keepwell Deeds and the Standby Letters of Credit that is material in the context of the issue and offering of the Bonds; (ii) the statements contained in this offering circular relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering circular with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Bonds, the Keepwell Deeds and the Standby Letters of Credit, the omission of which would, in the context of the issue and offering of the Bonds, make this offering circular, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

We are providing it solely for the purpose of enabling you to consider a purchase of the Bonds. You should read this offering circular before making a decision whether to purchase the Bonds. You must not use this offering circular for any other purpose, or disclose any information in this offering circular to any other person.

We have prepared this offering circular, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Bonds. By purchasing the Bonds, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Subscription and Sale” below.

**This offering circular is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the “EEA”).**

**The communication of this offering circular and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which this offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering circular or any of its contents.**

**PRIIPs Regulation / Prohibition of sales to EEA retail investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC, as amended (the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.**

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

**Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), we have determined, and hereby notify all relevant persons (as defined in the CMP Regulations 2018), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).**

This offering circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuers and the Company. The Issuers and the Company accept full responsibility for the accuracy of the information contained in this offering circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

No representation or warranty, express or implied, is made by ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Barclays Bank PLC, CCB International Capital Limited, Bank of China Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, BOSCH International Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch and Société Générale (collectively, the “Managers”), the Trustee or the Agents (in each case as defined in the Terms and Conditions of the USD Bonds and the Terms and Conditions of the Euro Bonds, respectively) or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Managers, the Trustee and the Agents to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Managers, the Trustee or the Agents or on their behalf in connection with the issue and offering of the Bonds. The Managers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering circular or any such statement.

Each person receiving this offering circular acknowledges that: (i) such person has not relied on the Managers, the Trustee or the Agents, or any adviser to or any person affiliated with the Managers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (ii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Bonds, the Keepwell Deeds or the Standby Letters of Credit (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Managers, the Trustee or the Agents.

**The Bonds, together with the Keepwell Deeds and the Standby Letters of Credit, have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States.**



We are not, and the Managers are not, making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted. The distribution of this offering circular and the offering of the Bonds may in certain jurisdictions be restricted by law. Persons into whose possession this offering circular comes are required by us and the Managers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Bonds and distribution of this offering circular, see “Subscription and Sale” below.

This offering circular summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering circular. In making an investment decision, you must rely on your own examination of us, including our subsidiaries and affiliates, and the terms of the offering, including the merits and risks involved. Neither we nor the Managers, the Trustee or the Agents are making any representation to you regarding the legality of an investment in the Bonds by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding investment in the Bonds.

We reserve the right to withdraw the offering of Bonds at any time, and the Managers reserve the right to reject any commitment to subscribe for the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. The Managers and certain related entities may acquire for their own account a portion of the Bonds.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “**Company**,” the “**Group**,” “**CSSC**” and words of similar import, we are referring to China State Shipbuilding Corporation Limited itself, or to China State Shipbuilding Corporation Limited and its consolidated subsidiaries, as the context requires. In this offering circular, references to the “**board**” or “**board of directors**” refer to the board of directors of the Company. When we use the term the “**USD Issuer**,” we are referring to CSSC Capital One Limited (中船资本一号有限公司), a company with limited liability incorporated in the British Virgin Islands (the “**BVI**”). When we use the term the “**Euro Issuer**,” we are referring to CSSC Capital Two Limited (中船资本二号有限公司), a company with limited liability incorporated in the BVI. When we use the term “**Issuers**,” we are referring to the USD Issuer and the Euro Issuer.

Unless otherwise indicated, all references in this offering circular to “**Bonds**” are to any of the USD Bonds and the Euro Bonds and references to a “**series of Bonds**” or to a “**series**” are to the USD Bonds or the Euro Bonds separately; all references in this offering circular to “**Terms and Conditions of the Bonds**” are to the terms and conditions governing the USD Bonds and the terms and conditions governing the Euro Bonds, as respectively set out in “Terms and Conditions of the USD Bonds” and “Terms and Conditions of the Euro Bonds” (collectively, the “**Terms and Conditions of the Bonds**”) and all references in this offering circular to “**Trust Deeds**” are to the trust deed governing the USD Bonds and the trust deed governing the Euro Bonds collectively.

Market data and certain information and statistics in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe such information to be reliable, it has not been independently verified by us, the Managers, the Trustee, the Agents or our or their respective directors, employees, agents, affiliates and advisors, and neither us, the Managers, the Trustee, the Agents nor our or their respective directors, employees, agents, affiliates and advisors make any representation as to the accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved. Where information has been sourced from a third party, each of the USD Issuer, the Euro Issuer and the Company confirm that this information has been accurately reproduced and that as far as the USD Issuer, the Euro Issuer and the Company are aware and are able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

We record and publish our financial information in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.6171 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2018, and all translations from Euro into U.S. dollars were made at the rate of €1.00 to US\$1.1677, the noon buying rate in New York City for cable transfers payable in Euro as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2018. All such translations in this offering circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rate, see “Exchange Rate Information”.

In this offering circular, all references to “**US\$**,” “**U.S.\$**,” “**US dollars**” and “**U.S. dollars**” are to United States dollars, the official currency of the United States of America (the “**United States**” or “**U.S.**”); all references to “**HK\$**” and “**H.K. dollars**” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**” or “**HK**”); all references to “**RMB**” or “**Renminbi**” are to Renminbi, the official currency of the People’s Republic of China (“**China**” or the “**PRC**”); and all references to “**EUR**,” “**Euro**” or “**€**” are to euro, which means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the treaty establishing the European Community, as amended from time to time.

References to “**PRC**” and “**China**,” for the purposes of this offering circular, except where the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC (“**Macau**”) or Taiwan. “**PRC government**” or “**State**” means the central government of the PRC, including all political

subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

“**CAGR**” means compound annual growth rate.

“**Common Structural Rule**” or “**CSR**” means the Common Structural Rules for Tankers and Bulk Carriers (關於油輪和散貨船的共同結構規範) promulgated on December 14, 2005 by the Council of the International Association of Classification Societies adopted for implementation on April 1, 2006.

“**CSRC**” means the China Securities Regulatory Commission (中國證券監督管理委員會).

“**CSSC**” means China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司).

“**CSSC (Hong Kong) Shipping**” means CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃有限公司)

“**Director(s)**” means the director(s) of the Company.

“**International Maritime Organization**” or “**IMO**” means the United Nations agency for maritime safety and the prevention of marine pollution by ships established in 1948.

“**Ministry of Finance**” means the Ministry of Finance of the PRC (中華人民共和國財政部).

“**NDRC**” means the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會).

“**PBOC**” means the People’s Bank of China (中國人民銀行), the central bank of the PRC.

“**Performance Standard for Protective Coatings**” or “**PSPC**” means the new Performance Standard for Protective Coatings (保護塗層性能標準) adopted by the International Maritime Organization, a United Nations agency tasked with improving maritime safety and preventing pollution from ships, on December 8, 2006.

“**SAFE**” means State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC government agency responsible for matters relating to foreign exchange administration.

“**SASAC**” means State-owned Assets Supervision and Administration Commission of the State Council.

“**SAT**” means State Administration of Taxation of the PRC (國家稅務總局).

“**Shanghai Stock Exchange**” means to The Shanghai Stock Exchange (上海證券交易所).

“**SOE(s)**” means state-owned enterprise(s).

“**State Council**” means State Council of the PRC (中華人民共和國國務院).

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.



## Financial Data

Unless the context otherwise requires, references to “2015,” “2016” and “2017” in this offering circular are to our financial years ended December 31, 2015, 2016 and 2017, respectively, and references to the first half of 2017 and 2018 refer to the six months ended June 30, 2017 and 2018, respectively. Our consolidated income statement, consolidated balance sheet and consolidated cash flows data as of and for the years ended December 31, 2015 and 2016 have been extracted from the consolidated financial statements as of and for the year ended December 31, 2016 audited by ShineWing China Certified Public Accountants and are included elsewhere in this offering circular. Our consolidated income statement, consolidated balance sheet and consolidated cash flows data for the years ended December 31, 2017 have been extracted from the consolidated financial statements as of and for the year ended December 31, 2017 audited by WUYIGE Certified Public Accountants LLP and included elsewhere in this offering circular. Our consolidated income statement, consolidated balance sheet and consolidated cash flows data as of and for each of the six months ended June 30, 2017 and 2018 is derived from our unaudited but reviewed interim condensed consolidated financial information as of and for the six months ended June 30, 2018 and included elsewhere in this offering circular. The abovementioned financial statements are prepared in accordance with the Basic Standard and 38 specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance on February 15, 2006, Application Guidance of Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (“**PRC GAAP**”). PRC GAAP differs in certain material respects from International Financial Reporting Standards (“**IFRS**”). Our consolidated financial statements included in this offering circular are English translations of the Chinese financial statements of our Group. For the avoidance of doubts, the USD Issuer was established on August 23, 2018 as a special purpose vehicle and has not generated any financial statements and the Euro Issuer was established on August 23, 2018 as a special purpose vehicle and has not generated any financial statements.

In this offering circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

## FORWARD-LOOKING STATEMENTS

This offering circular includes “forward-looking statements.” All statements other than statements of historical fact contained in this offering circular, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the industries in which we operate;
- industry risks;
- our financial condition;
- the achievement of our expansion plans;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- availability and costs of bank loans and other forms of financing;
- the regulatory environment in general;
- capital market developments; and
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC government affecting the markets where we operate.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this offering circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this offering circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering circular might not occur.

## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains explanations of certain terms and definitions used in this offering circular. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.*

<b>“CGT”</b> .....	compensated gross tonnage, calculated by multiplying the tonnage of a ship by a coefficient determined according to type and size of a particular ship, and used as an indicator of the volume of work necessary to build a given ship.
<b>“drydock” or “dry dock”</b> .....	a narrow basin that can be flooded to allow a load to be floated in, then drained to allow that load to come to rest on a dry platform. Drydocks are used for the construction, maintenance and repair of ships, boats, and other watercraft.
<b>“DWT” or “deadweight tons”</b> .....	a unit of measurement of the maximum permitted load of a vessel, including the weight of cargo, passengers, fuel, stores and crew, when loaded to its maximum summer load line. One DWT equals to 1,000 kilograms.
<b>“FLNG”</b> .....	floating liquefied natural gas.
<b>“FPSO”</b> .....	floating production storage and offloading vessels, which are large and flexible units used in the offshore industry for the processing and storage of oil and gas that has been produced from nearby platforms or subsea templates. They can be built new or converted from oil and gas carriers, and are capable of operating in deepwater environments.
<b>“FSRU”</b> .....	floating storage and regasification vessels.
<b>“jack-up”</b> .....	a type of mobile platform that is able to stand still on the sea floor, resting on a number of supporting legs. The most popular designs use three independent legs, although some jack-ups have four legs or more. On “mat-type” jack-ups the legs are connected to a submerged hull.
<b>“LNG”</b> .....	liquefied natural gas.
<b>“LPG”</b> .....	liquefied petroleum gas.
<b>“Panamax”</b> .....	ships classified as Panamax are of the maximum dimensions that will fit through the locks of the Panama Canal, each of which is 1,000 feet long by 110 feet wide and 85 feet deep. Accordingly, a Panamax ship will usually have dimension of approximately 965 feet long (294.0 meters), 106 feet wide (32.3 meters) and a draft of 39.5 feet (12.0 meters).
<b>“Post-Panamax”</b> .....	ships larger than Panamax, which do not fit in the Panama Canal.
<b>“TEU”</b> .....	twenty-foot equivalent unit, an inexact unit of cargo capacity often used to describe the capacity of container ships and container terminals. It is based on the volume of a 20-foot-long (film) intermodal container, a standard-sized metal box.
<b>“ton”</b> .....	a metric ton equaling 1,000 kilograms.

<b>“VLCC”</b> .....	very large crude oil carrier of 200,000 DWT or above.
<b>“VLEC”</b> .....	very large ethane carrier of 80,000 cubic meters or above.
<b>“VLGC”</b> .....	very large gas carrier of 80,000 cubic meters or above.
<b>“VLOC”</b> .....	very large ore carrier of greater than 200,000 DWT or above.

## OVERVIEW OF THE ISSUE

*This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire offering circular, including the section entitled “Risk Factors” and our consolidated financial information and related notes thereto, before making an investment decision.*

### OVERVIEW

We are a large Chinese state-owned enterprise with a diversified business model, comprising our fast-growing logistics, financial and other services, well-established shipbuilding, ship repair and offshore engineering business, steadily growing ship ancillary products and services and research and development business. To diversify our businesses and build our integrated and well-rounded service capabilities, we strategically established our logistics, financial and other services business segment to increase our revenue, complete our value chain and optimize our business structure, which experienced fast growth from 2015 to 2018. Under our logistics, financial and other services business segment, we provide logistics, international trade, financial, general contracted engineering and consulting services. We have a well-established shipbuilding, ship repair and offshore engineering business. Our shipbuilding business enjoys a strong global market position. Based on data from Clarksons, we were ranked second among all shipbuilders in the world for at least 12 years since 2006 in terms of completed orders. For the six months ended June 30, 2018, we were ranked second among all shipbuilders in the world in terms of total order book measured by DWT, ranked third in terms of total new orders measured by DWT and ranked second in terms of completed orders measured by DWT, based on data from Clarksons. As of June 30, 2018, we had a total order book of approximately 24.6 million DWT with a global market share of approximately 12.1%, total new orders of approximately 4.0 million DWT with a global market share of approximately 11.4% of new orders according to data from Clarksons, and total completed orders of approximately 4.5 million DWT with a global market share of approximately 9.9%, according to data from Clarksons. We also have strong ship repairing capabilities offering a wide range of repairing and maintenance services for vessels and strong offshore engineering business supported by our strong research and development capabilities. We seek to further diversify our business and have, since 2013, strategically developed our ship ancillary products and services, including power and engine equipment, mechanical and electrical equipment and information and control technology. We are also involved in the vessel and related leasing business, primarily operating through CSSC (Hong Kong) Shipping, our wholly owned Hong Kong subsidiary.

We were established on July 1, 1999. We are designated as an “extra-large” conglomerate and state-authorized investment institution directly administered by the PRC central government. In October 1999, we began to build our Shanghai Waigaoqiao Shipbuilding Base (上海外高橋造船基地), the most efficient shipbuilding base in China in terms of CGT per hour. In December 2003, we began to build our Shanghai Changxing Shipbuilding Base (上海長興造船基地), the largest shipbuilding base in the world. In September 2004, we began to build our Guangzhou Longxue Shipbuilding Base (廣州龍穴造船基地), the largest shipbuilding base in South China. We successfully delivered China’s first LNG carrier and our first self-designed VLCC ship in April 2008 and January 2010, respectively. We also set up a laboratory for national energy LNG offshore storage and transportation equipment (國家能源LNG海上儲運裝備重點實驗室) in August 2012, which is the only state laboratory in this field in China. As of June 30, 2018, we had in total 40 consolidated subsidiaries, including, among others, eight research and development subsidiaries, eight shipbuilding yards and three corporations listed on the Shanghai Stock Exchange, namely, China CSSC Holdings Limited (中國船舶) (600150.CH), CSSC Science and Technology Co., Ltd (中船科技) (600072.CH) and CSSC Offshore and Marine Engineering (Group) Company Limited (中船防務) (600685.CH). CSSC Offshore and Marine Engineering (Group) Company Limited is also listed on the Hong Kong Stock Exchange since 1993 (317.HK).

In 2015, 2016 and 2017 and the first half of 2018, our total revenue of our business segments amounted to RMB188,645.8 million, RMB197,664.3 million, RMB200,599.5 million (US\$30,315.3 million) and RMB71,467.0 million (US\$10,800.4 million), respectively. For the same periods, our profit was RMB2,575.4 million, RMB940.5 million, RMB1,453.6 million (US\$219.7 million) and RMB484.6 million (US\$73.2 million), respectively.



## **OUR STRENGTHS**

We believe that our historical success and future prospects are directly related to a combination of our strengths, including the following:

- a large Chinese state-owned enterprise with a leading shipbuilding business in the world ;
- strong research, development and innovative capabilities;
- a strong shipbuilding capacity with a wide spectrum of products;
- a diversified customer base and long-term relationships with key customers;
- a diversified business model with diversified funding channels to support our sustainable growth; and
- an experienced management team and strong talent pool.

## **OUR STRATEGIES**

We aim to become a world-class global conglomerate with a focus on shipbuilding business and further diversification and expansion of our other businesses. To achieve this goal, we plan to implement the following strategies:

- expand our business network by capitalizing on the “Belt and Road Initiative” and continue to diversify our businesses and develop new business capabilities;
- continue to focus on the development of our core business of shipbuilding and further diversify our product portfolio;
- continue to focus on developing offshore engineering products and enhance our engineering and technical service capabilities; and
- further strengthen our management, optimize our operation, enhance efficiency, maintain prudent financial policy and reduce costs.

## **RECENT DEVELOPMENT**

On August 28, 2018, we entered into a comprehensive strategic cooperation memorandum with Fincantieri, a world leading shipbuilding company based in Italy. We plan to cooperate with Fincantieri to build large cruise ships, and explore other cooperation models and opportunities.

## **THE ISSUERS**

### **The USD Issuer**

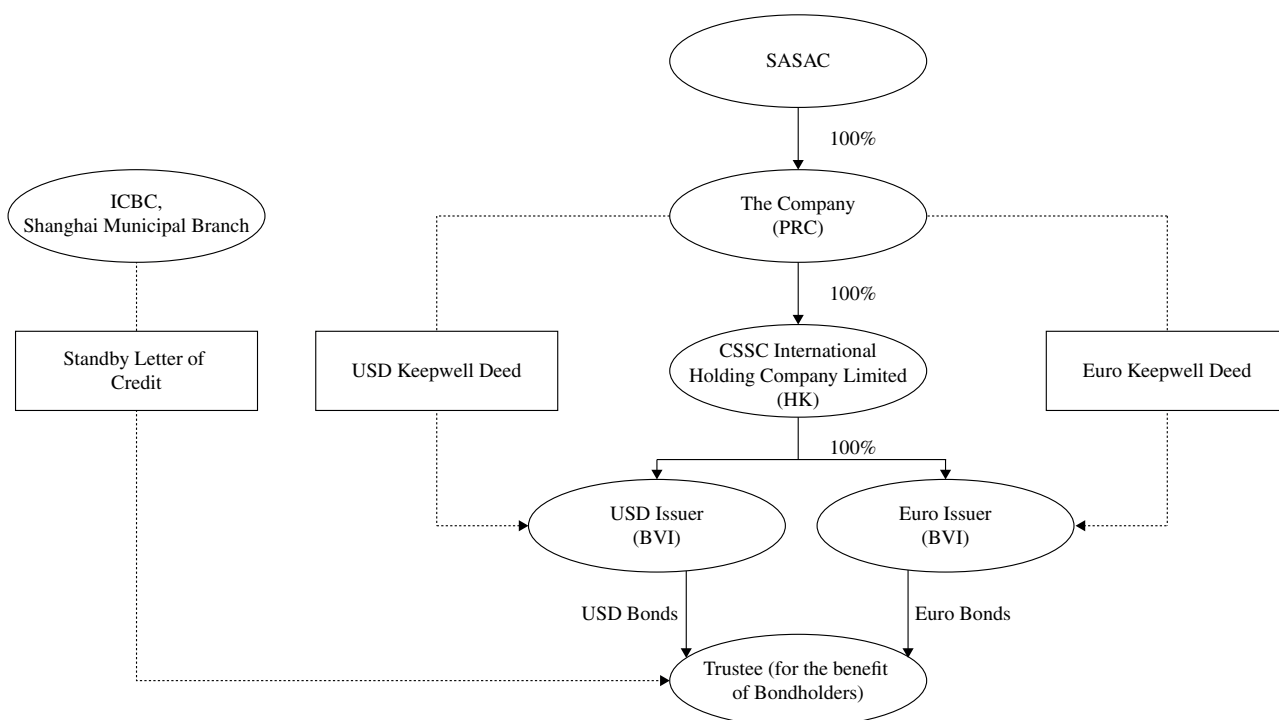
The USD Issuer is a company incorporated in the British Virgin Islands with limited liability on August 23, 2018. Its registered office is located at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands. The USD Issuer is a wholly owned subsidiary of CSSC International Holding Company Limited, our wholly owned Hong Kong subsidiary.

### **The Euro Issuer**

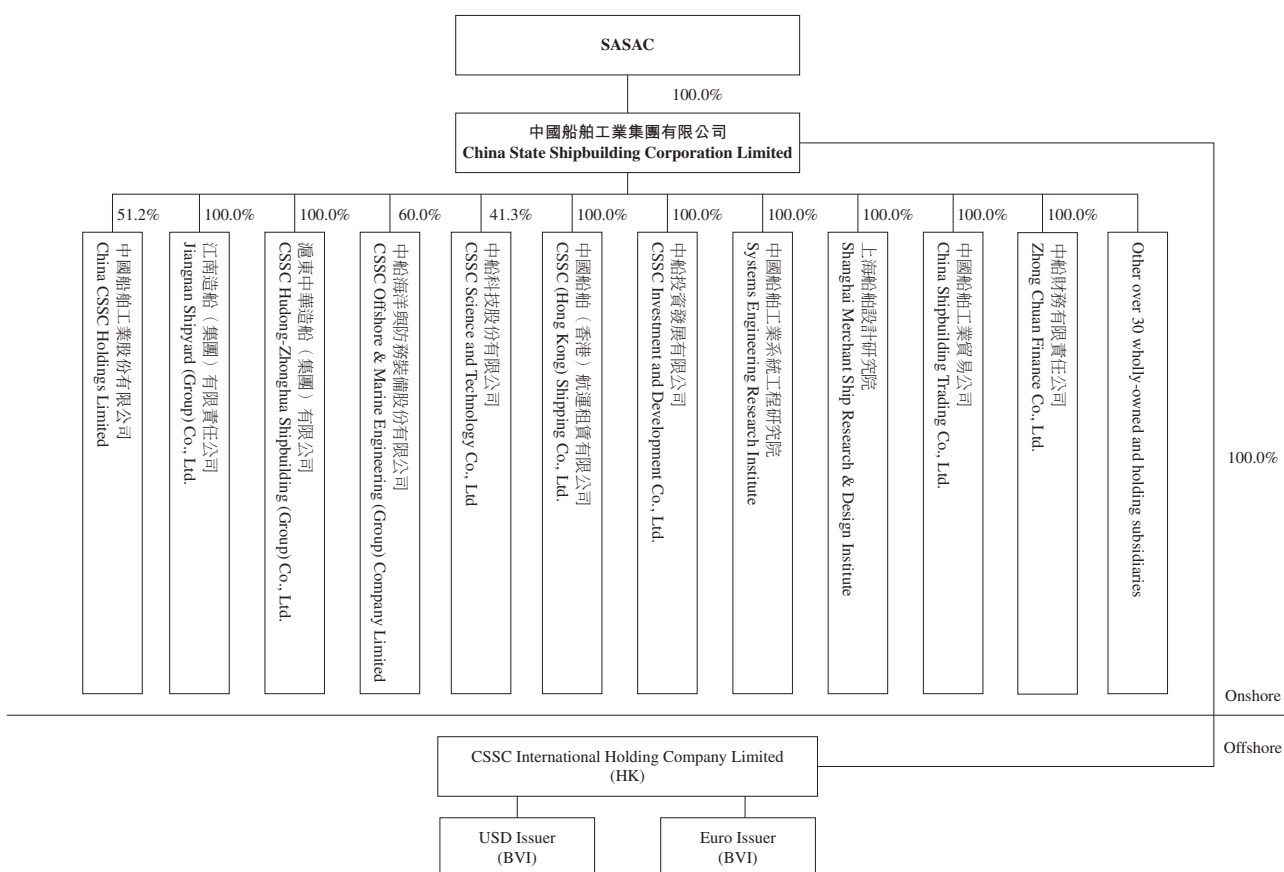
The Euro Issuer is a company incorporated in the British Virgin Islands with limited liability on August 23, 2018. Its registered office is located at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands. The Euro Issuer is a wholly owned subsidiary of CSSC International Holding Company Limited, our wholly owned Hong Kong subsidiary.

## CORPORATE AND OFFERING STRUCTURE

The following chart sets forth our shareholding and group structure as well as the credit support relationships among the USD Issuer, the Euro Issuer and the Company, and the structure of the offering of the Bonds:



Set forth below is a simplified corporate structure as of the date of this offering circular, listing only certain major subsidiaries and jointly controlled entities:



## THE ISSUE

### THE USD BONDS ISSUE

*The following summary contains some basic information about the USD Bonds and is qualified in its entirety by the remainder of this offering circular. The terms “Bonds”, “Issuer” and “Standby Letter of Credit” under “The USD Bonds Issue” only refer to the USD Bonds, the USD Issuer and the USD Standby Letter of Credit, respectively, unless otherwise specified. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the USD Bonds” and “Summary of Provisions Relating to the Bonds in Global Form” shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the USD Bonds” in this offering circular.*

<b>Issuer .....</b>	CSSC Capital One Limited.
<b>USD Bonds .....</b>	U.S.\$485,000,000 in aggregate principal amount of 4.125 per cent. Credit Enhanced Bonds due 2021.
<b>Issue Price.....</b>	99.953 per cent.
<b>Form and Denomination.....</b>	The Bonds will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Interest.....</b>	The Bonds will bear interest on their outstanding principal amount from and on September 27, 2018 at the rate of 4.125 per cent. per annum, payable semi-annually in arrear in equal instalments on March 27 and September 27 in each year, commencing March 27, 2019.
<b>Issue Date.....</b>	September 27, 2018.
<b>Maturity Date.....</b>	September 27, 2021.
<b>Standby Letter of Credit .....</b>	The Bonds will have the benefit of an irrevocable Standby Letter of Credit denominated in U.S.\$ issued by Industrial and Commercial Bank of China Limited, Shanghai Branch as the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Bonds. The Standby Letter of Credit shall be drawable by the Trustee as the beneficiary under the Standby Letter of Credit both on behalf of holders of the Bonds and for its own account upon the presentation of a Demand by authenticated SWIFT sent by the Trustee to the effect that (i) the Issuer has failed to comply with Condition 3(b) of the Terms and Conditions of the Bonds (the “ <b>Conditions</b> ”) in relation to pre-funding an amount that is payable under the Conditions or (ii) an Event of Default has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees, costs, expenses, indemnity payments and/or other amounts in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

After receipt by the LC Bank of a Demand by 11.00 a.m. (Hong Kong time) on a Business Day, the LC Bank shall by 11:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (Hong Kong time) on a Business Day, the fifth Business Day after such Business Day), pay to or to the order of the Trustee the amount in US dollars specified in the Demand to the LC Proceeds Account. The aggregate liability of the LC Bank under the Standby Letter of Credit shall be expressed and payable in US dollars and shall not in any circumstances exceed U.S.\$550,000,000. The Standby Letter of Credit takes effect from September 27, 2018 and shall remain valid and in full force until 6.00 p.m. (Hong Kong time) on October 27, 2021.

Please see “Terms and Conditions of the Bonds – Status and Standby Letter of Credit and Pre-funding – Standby Letter of Credit and Pre-funding”, and “Appendix A1 – Form of USD Standby Letter of Credit.”

- Pre-funding** ..... In order to provide for the payment of any amount in respect of the Bonds (a “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling ten Business Days prior to the due date for such payment under the Conditions (the “**Pre-funding Date**”):
- (i) unconditionally pay or procure to be paid the Relevant Amount into a non-interest bearing US dollar denominated account established in the name of the Issuer with the Pre-funding Account Bank (the “**Pre-funding Account**”); and
  - (ii) deliver to the Trustee and the Principal Paying Agent by facsimile
    - (x) a payment and solvency certificate signed by any one Director of the Issuer who is also an Authorised Signatory of the Issuer, and
    - (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the “**Required Confirmations**”).

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, the Trustee shall as soon as practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full and/or provide the Required Confirmations in accordance with the Conditions and shall by no later than 11:00 a.m. (Hong Kong time) on the second Business Day following the Pre-funding Date issue a demand notice to the LC Bank for the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account) in accordance with the Standby Letter of Credit (each a "**Demand**"), provided that the Trustee need not physically present the Standby Letter of Credit to the LC Bank and shall be entitled to submit a Demand by authenticated SWIFT. After receipt by the LC Bank of such Demand, the LC Bank shall by 11:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (Hong Kong time) on a Business Day, the fifth Business Day after such Business Day), pay to or to the order of the Trustee the amount in US dollars specified in the Demand to the LC Proceeds Account.

Please see "Terms and Conditions of the Bonds – Status and Standby Letter of Credit and Pre-funding – Standby Letter of Credit and Pre-funding" and "Appendix A1 – Form of USD Standby Letter of Credit".

<b>Status .....</b>	The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and regulation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
<b>Events of Default .....</b>	The Bonds will contain certain events of default provisions, including without limitation, certain events of default in respect of the LC Bank, as further described in "Terms and Conditions of the Bonds – Events of Default".
<b>Taxation .....</b>	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands, Hong Kong or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8. In such event, the Issuer shall, subject to the limited exceptions specified in the Conditions, pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received by them had no such withholding or deduction been required.



<b>Final Redemption .....</b>	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
<b>Redemption for Taxation Reasons .....</b>	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with interest accrued to but excluding the date fixed for redemption, at any time in the event of certain changes affecting taxes of the British Virgin Islands, Hong Kong or the PRC, as further described in Condition 6(b).
<b>Make Whole Redemption.....</b>	The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days' notice to the Bondholders in accordance with Condition 16 and in writing to the Trustee and the Principal Paying Agent, at a redemption price equal to their Make Whole Redemption Price.
<b>Redemption for Change of Control .....</b>	A Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds at 100% of their principal amount, together with accrued interest up to, but excluding, the Change of Control Put Date, upon the occurrence of a Change of Control (as defined in Condition 6(d)). See Condition 6(d).
<b>Clearing Systems .....</b>	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee for, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
<b>Governing Law .....</b>	The Bonds, the Trust Deed and the Standby Letter of Credit and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Keepwell Deed shall be governed by and construed in accordance with Hong Kong law.
<b>Trustee .....</b>	Bank of Communications Trustee Limited.
<b>Principal Paying Agent .....</b>	Industrial and Commercial Bank of China (Asia) Limited.
<b>Registrar and Transfer Agent .....</b>	Industrial and Commercial Bank of China (Asia) Limited.
<b>Pre-funding Account Bank and LC Proceeds Account Bank .....</b>	Industrial and Commercial Bank of China (Asia) Limited.
<b>Ratings .....</b>	The Bonds are expected to be rated "A1" by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
<b>Listing .....</b>	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issue to Professional Investors only as described in this offering circular.

<b>Keepwell Deed</b> .....	The Company will enter into the Keepwell Deed governed under Hong Kong law with the Issuer and the Trustee, as more fully described under “Description of the Keepwell Deeds”. The Keepwell Deed does not constitute a guarantee by the Company of the payment of any obligation, indebtedness or liability of the Issuer.
<b>ISIN</b> .....	XS1882614008
<b>Common Code</b> .....	188261400

## THE EURO BONDS ISSUE

*The following summary contains some basic information about the Euro Bonds and is qualified in its entirety by the remainder of this Offering Circular. The terms “Bonds”, “Issuer” and “Standby Letter of Credit” under “The Euro Bonds Issue” only refer to the Euro Bonds, the Euro Issuer and the USD Standby Letter of Credit, respectively, unless otherwise specified. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Euro Bonds” and “Summary of Provisions Relating to the Bonds in Global Form” shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the Euro Bonds” in this Offering Circular.*

<b>Issuer .....</b>	CSSC Capital Two Limited.
<b>Euro Bonds.....</b>	€300,000,000 in aggregate principal amount of 1.75 per cent. Credit Enhanced Bonds due 2023.
<b>Issue Price.....</b>	99.962 per cent.
<b>Form and Denomination.....</b>	The Bonds will be issued in the specified denomination of €100,000 and integral multiples of €1,000 in excess thereof.
<b>Interest.....</b>	The Bonds will bear interest on their outstanding principal amount from and on September 27, 2018 at the rate of 1.75 per cent. per annum, payable annually in arrear in equal instalments on September 27 in each year, commencing September 27, 2019.
<b>Issue Date.....</b>	September 27, 2018.
<b>Maturity Date.....</b>	September 27, 2023.
<b>Standby Letter of Credit .....</b>	The Bonds will have the benefit of an irrevocable Standby Letter of Credit denominated in Euro issued by Industrial and Commercial Bank of China Limited, Shanghai Branch as the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Bonds. The Standby Letter of Credit shall be drawable by the Trustee as the beneficiary under the Standby Letter of Credit both on behalf of holders of the Bonds and for its own account upon the presentation of a Demand by authenticated SWIFT sent by the Trustee to the effect that (i) the Issuer has failed to comply with Condition 3(b) of the Terms and Conditions of the Bonds (the “ <b>Conditions</b> ”) in relation to pre-funding an amount that is payable under the Conditions or (ii) an Event of Default has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees, costs, expenses, indemnity payments and/or other amounts in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

After receipt by the LC Bank of a Demand by 11.00 a.m. (Hong Kong time) on a Business Day, the LC Bank shall by 11:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (Hong Kong time) on a Business Day, the fifth Business Day after such Business Day), pay to or to the order of the Trustee the amount in Euro specified in the Demand to the LC Proceeds Account. The aggregate liability of the LC Bank under the Standby Letter of Credit shall be expressed and payable in Euro and shall not in any circumstances exceed €350,000,000. The Standby Letter of Credit takes effect from September 27, 2018 and shall remain valid and in full force until 6.00 p.m. (Hong Kong time) on October 27, 2023. Please see “Terms and Conditions of the Bonds – Status and Standby Letter of Credit and Pre-funding – Standby Letter of Credit and Pre-funding”, and “Appendix A2 – Form of Euro Standby Letter of Credit.”

**Pre-funding .....**

In order to provide for the payment of any amount in respect of the Bonds (a “Relevant Amount”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling ten Business Days prior to the due date for such payment under the Conditions (the “**Pre-funding Date**”):

- (i) unconditionally pay or procure to be paid the Relevant Amount into a non-interest bearing Euro denominated account established in the name of the Issuer with the Pre-funding Account Bank (the “**Pre-funding Account**”); and
- (ii) deliver to the Trustee and the Principal Paying Agent by facsimile
  - (x) a payment and solvency certificate signed by any one Director of the Issuer who is also an Authorised Signatory of the Issuer, and
  - (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the “**Required Confirmations**”).

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, the Trustee shall as soon as practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full and/or provide the Required Confirmations in accordance with the Conditions and shall by no later than 11:00 a.m. (Hong Kong time) on the second Business Day following the Pre-funding Date issue a demand notice to the LC Bank for the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account) in accordance with the Standby Letter of Credit (each a "**Demand**"), provided that the Trustee need not physically present the Standby Letter of Credit to the LC Bank and shall be entitled to submit a Demand by authenticated SWIFT. After receipt by the LC Bank of such Demand, the LC Bank shall by 11:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (Hong Kong time) on a Business Day, the fifth Business Day after such Business Day), pay to or to the order of the Trustee the amount in Euro specified in the Demand to the LC Proceeds Account.

Please see "Terms and Conditions of the Bonds – Status and Standby Letter of Credit and Pre-funding – Standby Letter of Credit and Pre-funding" and "Appendix A2 – Form of Euro Standby Letter of Credit".

<b>Status .....</b>	The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and regulation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
<b>Events of Default .....</b>	The Bonds will contain certain events of default provisions, including without limitation, certain events of default in respect of the LC Bank, as further described in "Terms and Conditions of the Bonds – Events of Default".
<b>Taxation .....</b>	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands, Hong Kong or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8. In such event, the Issuer shall, subject to the limited exceptions specified in the Conditions, pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received by them had no such withholding or deduction been required.



<b>Final Redemption .....</b>	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
<b>Redemption for Taxation Reasons .....</b>	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with interest accrued to but excluding the date fixed for redemption, at any time in the event of certain changes affecting taxes of the British Virgin Islands, Hong Kong or the PRC, as further described in Condition 6(b).
<b>Make Whole Redemption.....</b>	The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days' notice to the Bondholders in accordance with Condition 16 and in writing to the Trustee and the Principal Paying Agent, at a redemption price equal to their Make Whole Redemption Price.
<b>Redemption for Change of Control .....</b>	A Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds at 100% of their principal amount, together with accrued interest up to, but excluding, the Change of Control Put Date, upon the occurrence of a Change of Control (as defined in Condition 6(d)). See Condition 6(d).
<b>Clearing Systems .....</b>	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee for, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
<b>Governing Law.....</b>	The Bonds, the Trust Deed and the Standby Letter of Credit and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Keepwell Deed shall be governed by and construed in accordance with Hong Kong law.
<b>Trustee .....</b>	Bank of Communications Trustee Limited.
<b>Principal Paying Agent .....</b>	Industrial and Commercial Bank of China (Asia) Limited.
<b>Registrar and Transfer Agent .....</b>	Industrial and Commercial Bank of China (Asia) Limited.
<b>Pre-funding Account Bank and LC Proceeds Account Bank .....</b>	Industrial and Commercial Bank of China (Asia) Limited.
<b>Ratings .....</b>	The Bonds are expected to be rated "A1" by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
<b>Listing .....</b>	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issue to professional investors only as described in this offering circular.

Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and for admission to trading on the Global Exchange Market in accordance with the rules and regulations of such exchange. However, the Issuer cannot assure you that the application to such stock exchange will be approved. The settlement of the Bonds is not conditional on obtaining such listing. The Issuer may elect to apply for a delisting of the Bonds from any stock exchange or markets if the listing requirements are unduly burdensome.

**Keepwell Deed** ..... The Company will enter into the Keepwell Deed governed under Hong Kong law with the Issuer and the Trustee, as more fully described under “Description of the Keepwell Deeds”. The Keepwell Deed does not constitute a guarantee by the Company of the payment of any obligation, indebtedness or liability of the Issuer.

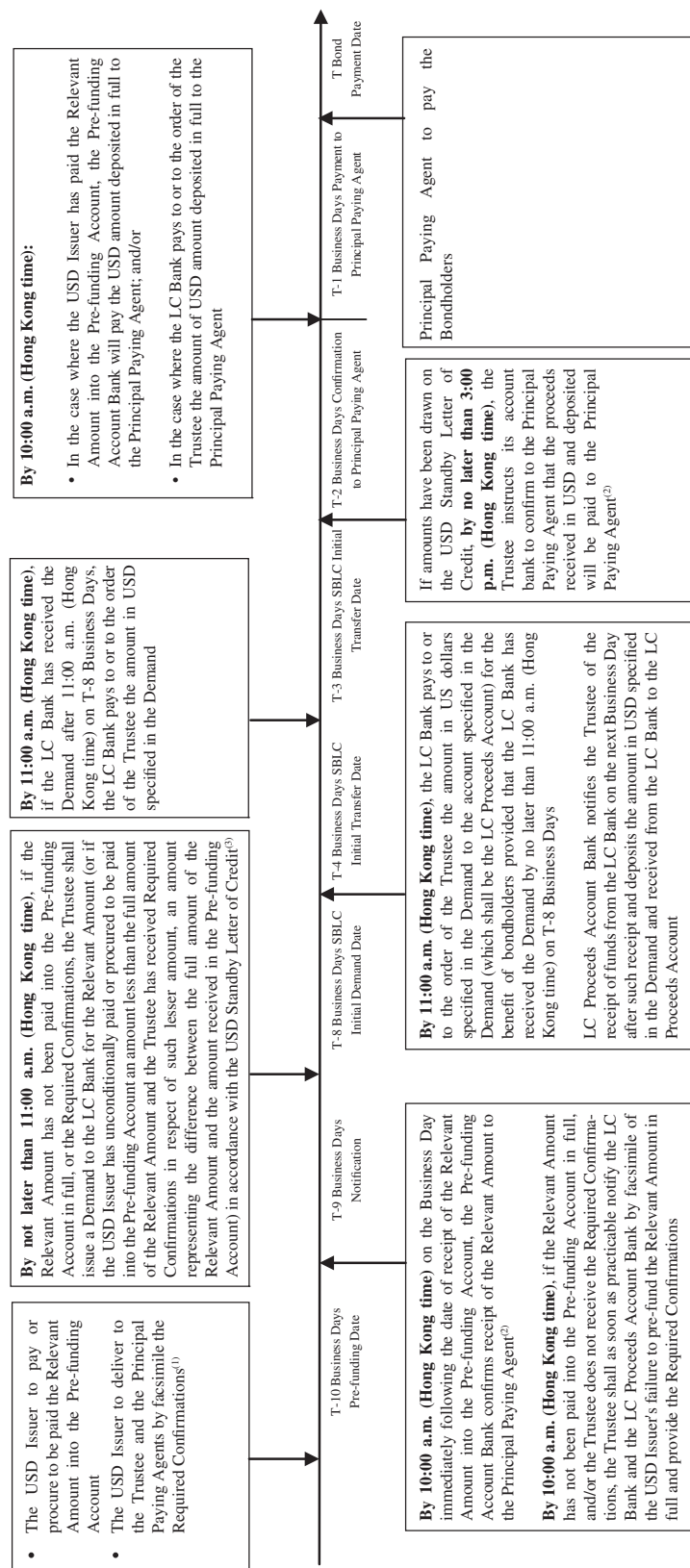
**ISIN** ..... XS1882616474

**Common Code** ..... 188261647

## SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

### Summary of Payment Arrangements on Each Scheduled Due Date under the USD Bonds

*The following diagram sets forth a summary of the pre-funding arrangements under the USD Bonds and the drawing arrangements in respect of the USD Standby Letter of Credit on each scheduled due date under the USD Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with “Terms and Conditions of the USD Bonds,” the Trust Deed and the Agency Agreement referred therein and “Appendix A1 – Form of USD Standby Letter of Credit.” Words and expressions defined in the “Terms and Conditions of the USD Bonds” shall have the same meaning in this summary.*

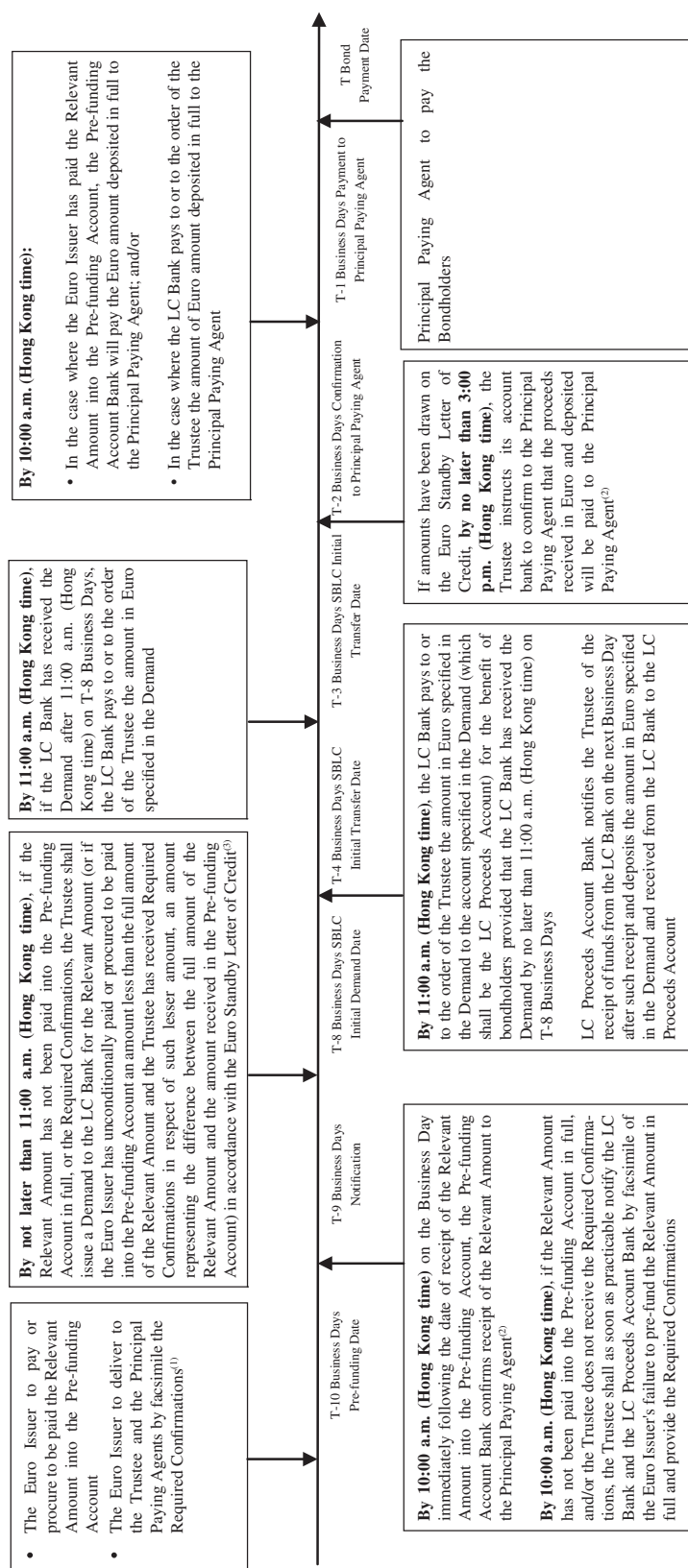


#### Notes:

- (1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any one Director of the USD Issuer, who is also an Authorised Signatory; and (b) a copy of the irrevocable payment instruction from the USD Issuer to the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.
- (2) The confirmation from the Pre-funding Account Bank to the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Principal Paying Agent may agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present the Demand under the USD Standby Letter of Credit to the LC Bank and shall be entitled to draw on the USD Standby Letter of Credit by way of a Demand by authenticated SWIFT.

## Summary of Payment Arrangements on Each Scheduled Due Date under the Euro Bonds

*The following diagram sets forth a summary of the pre-funding arrangements under the Euro Bonds and the drawing arrangements in respect of the Euro Standby Letter of Credit on each scheduled due date under the Euro Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with "Terms and Conditions of the Euro Bonds," the Trust Deed and the Agency Agreement referred therein and "Appendix A2 – Form of Euro Standby Letter of Credit." Words and expressions defined in the "Terms and Conditions of the Euro Bonds" shall have the same meaning in this summary.*



### Notes:

- (1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any one Director of the Euro Issuer, who is also an Authorised Signatory; and (b) a copy of the irrevocable payment instruction from the Euro Issuer to the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.
- (2) The confirmation from the Pre-funding Account Bank to the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Principal Paying Agent may agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present the Demand under the Euro Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Euro Standby Letter of Credit by way of a Demand by authenticated SWIFT.

## SUMMARY FINANCIAL INFORMATION

Except as otherwise indicated, the summary consolidated financial information as of and for the years ended December 31, 2015, 2016 and 2017 set forth in the tables below has been derived from our consolidated financial statements for the years ended December 31, 2016 and 2017, the summary financial information as of and for each of the six months ended June 30, 2017 and 2018 is derived from our unaudited but reviewed interim condensed consolidated financial information as of and for the six months ended June 30, 2018 and included elsewhere in this offering circular. Our audited consolidated financial statements as of and for the year ended December 31, 2016 have been audited by ShineWing China Certified Public Accountants and our audited consolidated financial statements as of and for the year ended December 31, 2017 have been audited by WUYIGE Certified Public Accountants LLP, our unaudited consolidated financial statements as of and for the six months ended June 30, 2018 have been reviewed by WUYIGE Certified Public Accountants LLP, and such consolidated financial statements are included elsewhere in this offering circular. The financial information included in the offering circular has not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 and that there may be material differences in the financial information had Regulation (EC) No 1606/2002 been applied to the historical financial information. Such financial statements are prepared in accordance with the PRC GAAP. PRC GAAP differs in certain respects from IFRS.

The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering circular. Our consolidated financial statements are prepared and presented in accordance with PRC GAAP. Our historical results do not necessarily indicate results expected for any future period.



# SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(RMB)	(USD)
	(in millions)				(in millions)		
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Total operating revenue</b> .....	189,655.4	198,481.9	201,385.7	30,434.1	104,179.3	71,467.0	10,800.4
Including: Operating revenue .....	188,645.8	197,664.3	200,599.5	30,315.3	103,741.0	70,980.3	10,726.8
Interest income .....	835.1	673.3	703.9	106.4	392.5	422.0	63.8
Fees and commissions							
income.....	174.5	144.3	82.4	12.5	45.7	64.7	9.8
<b>Total cost</b> .....	193,859.8	201,254.1	207,622.5	31,376.7	106,268.9	72,785.1	10,999.5
Including: Operating cost.....	178,089.5	183,868.8	187,496.6	28,335.2	98,638.0	66,504.8	10,050.4
Interest expenses .....	19.3	6.1	13.5	2.0	3.6	1.3	0.2
Fees and commissions							
expenses.....	0.8	2.5	3.6	0.5	2.5	2.0	0.3
Taxes and surcharges .....	516.1	581.8	434.2	65.6	191.7	233.8	35.3
Selling expenses.....	1,262.4	1,339.1	1,367.4	206.6	644.1	574.6	86.8
Administrative expenses .....	6,239.1	6,302.9	6,284.0	949.7	2,984.6	2,866.9	433.3
Research and development							
expenses.....	2,949.1	2,811.5	3,362.2	508.1	975.4	1,259.1	190.3
Finance expenses .....	2,050.8	1,369.8	4,502.1	680.4	2,055.8	1,040.5	157.2
Including: interest expenses ....	2,887.8	2,805.6	2,932.4	443.2	1,510.4	1,214.9	183.6
Interest income .....	1,456.8	1,192.9	724.6	109.5	395.7	340.6	51.5
Impairment on assets .....	2,732.7	4,971.7	4,159.1	628.5	773.1	302.1	45.7
Add: Other income .....	–	–	942.6	142.4	252.9	385.8	58.3
Gain (loss) from fair value							
change.....	(127.6)	(3.1)	460.5	69.6	296.9	(212.2)	(32.1)
Income (loss) from investment ...	5,130.3	3,150.2	5,246.3	792.8	3,205.9	524.2	79.2
Including: Investment income on							
associated enterprises and							
joint venture .....	824.1	2,136.4	3,882.7	586.8	2,402.9	(28.7)	(4.3)
Gain (loss) on foreign exchange							
transactions.....	10.4	13.1	2.2	0.3	–	–	–
Gains from disposal of assets .....	–	390.0	29.8	4.5	–	–	–
<b>Operating profit (loss)</b> .....	808.8	778.1	444.6	67.2	1,666.2	(620.2)	(93.7)
Add: Non-operating income.....	3,010.1	1,501.1	2,304.7	348.3	389.8	1,523.1	230.2
Less: Non-operating expenses ....	146.6	308.9	192.9	29.2	13.1	116.9	17.7
<b>Total profit (loss)</b> .....	3,672.3	1,970.4	2,556.4	386.3	2,042.8	786.0	118.8
Less: Income tax expenses .....	1,096.9	1,029.9	1,102.9	166.7	505.2	301.4	45.5
<b>Net profit (loss)</b> .....	2,575.4	940.5	1,453.6	219.7	1,537.6	484.6	73.2
Net profit attributable to							
parent company.....	2,755.3	2,442.0	2,506.3	378.8	1,467.5	514.7	77.8
Net profit attributable to minority							
shareholders .....	(179.9)	(1,501.5)	(1,052.8)	(159.1)	70.1	(30.1)	(4.5)

# SUMMARY BALANCE SHEET DATA

	As of December 31,				As of June 30,	
	2015	2016	2017		2018	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(USD)
		(in millions)		(unaudited)	(in millions)	(in millions)
					(unaudited)	(unaudited)
<b>Current assets:</b>						
Currency fund .....	73,231.0	65,306.5	61,399.3	9,278.9	64,874.7	9,804.1
Financial assets measured by fair value .....	3,180.3	1,976.4	3,098.2	468.2	3,404.8	514.5
Notes receivable and accounts receivable .....	13,122.1	12,722.0	13,348.7	2,017.3	12,043.4	1,820.0
Prepayments .....	26,731.8	27,724.0	32,035.4	4,841.3	32,213.9	4,868.3
Other receivables .....	2,807.6	1,874.4	1,864.2	281.7	3,320.3	501.8
Financial assets held under repurchase agreements .....	—	—	81.0	12.2	78.0	11.8
Inventories .....	45,988.1	46,637.0	40,107.8	6,061.2	42,887.8	6,481.4
Including: Raw materials .....	8,579.7	5,892.4	5,133.0	775.7	6,973.8	1,053.9
Stock goods .....	1,485.8	2,017.8	2,044.9	309.0	2,061.9	311.6
Non-current assets matured within one year .....	7,631.2	9,906.1	4,261.5	644.0	3,797.3	573.9
Other current assets .....	4,259.3	10,450.8	8,897.5	1,344.6	9,463.7	1,430.2
<b>Total current assets .....</b>	<b>176,951.5</b>	<b>176,597.2</b>	<b>165,093.6</b>	<b>24,949.5</b>	<b>172,083.9</b>	<b>26,005.9</b>
<b>Non-current assets:</b>						
Granting loans and advances ....	677.2	320.3	197.2	29.8	41.3	6.2
Available-for-sale financial assets .....	6,694.7	12,014.3	15,628.8	2,361.9	13,832.5	2,090.4
Held to maturity investments ....	2,918.3	—	—	—	150.0	22.7
Long-term receivables .....	2,475.4	10,237.7	14,839.2	2,242.6	18,928.2	2,860.5
Long-term equity investments ...	7,712.4	10,865.9	17,683.6	2,672.4	17,600.6	2,659.9
Investment property .....	980.6	947.2	1,044.9	157.9	1,052.2	159.0
Fixed assets .....	48,134.0	48,157.5	47,058.9	7,111.7	45,525.7	6,880.0
Fixed assets at cost .....	76,261.3	79,581.8	81,515.6	12,318.9	81,132.6	12,261.1
Less: Accumulated depreciation .....	27,844.3	30,986.6	34,071.2	5,149.0	35,234.6	5,324.8
Fixed assets net value .....	48,417.0	48,595.2	47,444.4	7,170.0	45,898.1	6,936.3
Less: Fixed assets impairment provision .....	403.5	460.6	441.2	66.7	431.4	65.2
Fixed assets net book value .....	48,013.5	48,134.6	47,003.2	7,103.3	45,466.7	6,871.1
Construction in progress .....	8,252.0	11,516.5	12,590.4	1,902.7	12,745.3	1,926.1
Disposal of fixed assets .....	120.5	22.9	55.7	8.4	59.0	8.9
Intangible assets .....	8,826.8	8,936.6	8,685.4	1,312.6	9,004.8	1,360.8
Research and development expenditures .....	5.2	322.5	403.2	60.9	414.8	62.7
Goodwill .....	145.1	145.1	145.1	21.9	145.1	21.9
Long-term unamortized expenses .....	247.8	205.0	220.8	33.4	213.1	32.2
Deferred income tax assets .....	2,941.6	2,707.1	2,418.0	365.4	2,513.3	379.8
Other non-current assets .....	537.9	381.2	4,911.3	742.2	5,528.7	835.5
<b>Total non-current assets .....</b>	<b>90,549.0</b>	<b>106,756.7</b>	<b>125,826.9</b>	<b>19,015.4</b>	<b>127,695.7</b>	<b>19,297.8</b>
<b>Total assets .....</b>	<b>267,500.4</b>	<b>283,354.0</b>	<b>290,920.5</b>	<b>43,965.0</b>	<b>299,779.6</b>	<b>45,303.8</b>

	As of December 31,				As of June 30,	
	2015	2016	2017		2018	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(USD)
	(in millions)			(unaudited)	(in millions) (unaudited)	(in millions) (unaudited)
<b>Current liabilities:</b>						
Short-term loans .....	12,729.1	8,001.3	7,066.2	1,067.8	9,992.3	1,510.1
Deposits from customers and other interbank.....	122.6	708.1	719.0	108.7	95.5	14.4
Deposit funds.....	97.4	90.2	—	—	—	—
Financial liability measured by fair value .....	181.7	95.0	3.4	0.5	235.9	35.7
Notes payable and						
Accounts payable .....	40,927.2	42,494.9	43,897.9	6,634.0	47,092.0	7,116.7
Advance receipts.....	14,321.5	10,343.1	14,841.9	2,243.0	12,439.5	1,879.9
Funds from sales of financial assets with repurchase agreement.....	102.3	—	—	—	—	—
Employee benefits payable.....	1,242.4	1,150.6	1,061.7	160.4	1,248.6	188.7
Taxes and rates payable .....	(2,569.5)	1,181.4	989.0	149.5	368.4	55.7
Other payables .....	6,010.6	4,958.0	4,751.8	718.1	4,386.6	662.9
Non-current liabilities due within one year.....	16,727.2	19,698.3	18,021.8	2,723.5	15,122.1	2,285.3
Other current liabilities.....	51,166.8	40,617.1	34,562.3	5,223.2	37,571.7	5,678.0
<b>Total current liabilities .....</b>	<b>141,059.4</b>	<b>129,338.1</b>	<b>125,915.0</b>	<b>19,028.7</b>	<b>128,552.5</b>	<b>19,427.3</b>
<b>Non-current liabilities:</b>						
Long-term loans.....	20,092.7	35,189.3	36,295.0	5,485.0	32,165.6	4,861.0
Bonds payable.....	19,951.4	27,088.5	25,420.7	3,841.7	25,432.6	3,843.5
Long-term payables .....	3,960.9	3,327.3	8,752.5	1,322.7	9,168.1	1,385.5
Provisions .....	2,574.7	3,337.3	4,708.0	711.5	4,046.8	611.6
Deferred income .....	849.2	1,349.1	1,155.6	174.6	1,629.2	246.2
Deferred income tax liabilities ..	334.7	302.9	400.1	60.5	284.8	43.0
Other non-current liabilities .....	58.9	58.9	826.4	124.9	827.7	125.1
<b>Total non-current liabilities.....</b>	<b>47,822.5</b>	<b>70,653.3</b>	<b>77,558.3</b>	<b>11,720.9</b>	<b>73,554.9</b>	<b>11,115.9</b>
<b>Total liabilities .....</b>	<b>188,881.9</b>	<b>199,991.4</b>	<b>203,473.3</b>	<b>30,749.6</b>	<b>202,107.4</b>	<b>30,543.2</b>
<b>Owner's Equity:</b>						
Share capital.....	24,500.0	25,500.0	32,000.0	4,836.0	32,000.0	4,836.0
National capital .....	24,500.0	25,500.0	32,000.0	4,836.0	32,000.0	4,836.0
Net Paid-in capital .....	24,500.0	25,500.0	32,000.0	4,836.0	32,000.0	4,836.0
Capital reserve .....	13,946.5	15,823.5	11,330.7	1,712.3	13,114.0	1,981.8
Other comprehensive income....	630.1	295.3	509.3	77.0	(252.7)	(38.2)
Special reserve .....	65.0	64.9	87.5	13.2	90.2	13.6
Surplus reserve.....	2,152.3	2,330.1	2,704.9	408.8	2,704.9	408.8
Currency translation differences.....	(183.4)	(109.5)	(108.6)	(16.4)	(291.3)	(44.0)
Undistributed profit .....	18,178.1	19,671.9	22,135.8	3,345.2	22,650.5	3,423.0
Equity attributable to parent company .....	59,472.1	63,685.8	68,768.3	10,392.5	70,306.9	10,625.0
Minority interests .....	19,146.5	19,676.8	18,678.8	2,822.8	27,365.4	4,135.6
<b>Total equity .....</b>	<b>78,618.6</b>	<b>83,362.6</b>	<b>87,447.1</b>	<b>13,215.3</b>	<b>97,672.3</b>	<b>14,760.6</b>
<b>Total liabilities and equity .....</b>	<b>267,500.4</b>	<b>283,354.0</b>	<b>290,920.5</b>	<b>43,965.0</b>	<b>299,779.6</b>	<b>45,303.8</b>

## RISK FACTORS

*You should carefully consider the risks and uncertainties described below and other information contained in this offering circular before investing in the Bonds. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

#### **The escalating trade war between the U.S. and the PRC may materially and adversely affect our business and results of operations.**

The trade war between the U.S. and other major economies, in particular, China, continues to escalate. On July 6, 2018, the U.S. and China imposed punitive import tariffs on US\$34.0 billion worth of each other's goods. A serious and protracted trade war will impact trade flows and in turn reduce demand for shipping globally. As we provide logistics services for trading of steel, energy and equipment, and provide international trade services to clients of over 40 countries for imports and exports of civilian and military products, vessels, marine equipment and materials and offshore engineering, our logistics and international trading businesses will be adversely and materially affected by the trade war. In addition, if the demand for shipping as a transportation method is reduced as a result of the trade war, the demand for our ships may also decrease. If the trade war continues or escalates, our business and results of operations will be materially and adversely affected.

#### **Our growth rate and the number of orders we have received in the past may not be indicative of our future growth rate or number of orders we will receive in the future.**

We cannot assure you that we will be able to maintain our past growth rate or secure the same number of orders we have received in the past. Our past growth rate or secured orders should not be relied upon as indicators of our future growth rate or orders we will receive in the future. To the extent that we experience any significant decrease in demand for our products, increase in competition or increase in the prices of raw materials, equipment and components, our business, financial condition and results of operations may be materially and adversely affected. Our continuous growth depends on a number of factors, many of which are beyond our control, including the impact on demand for our products resulting from the macroeconomic policies of the PRC government and governments in other countries, the level of competition in the PRC and sectors in which we conduct business and the prices we pay for raw materials, equipment and components. There can be no assurance that global seaborne trade will not decline in the future and if such decline occurs, our business, financial condition and results of operations may be materially and adversely affected.

Moreover, shipbuilding orders we receive from customers are typically non-recurring in nature. As a result, we cannot assure you that we will receive the same number of orders as or more orders than we have received in the past or that the contract value of the order book will remain the same or increase. As a result, you should not take the number of orders we have received in the past or the current contract value of our order book as an indicator of our performance or numbers of orders in the future.

#### **We may not be able to compete successfully against our current competitors or new entrants to the industries in which we operate.**

The shipbuilding industry is highly competitive. We face strong competition from existing competitors mainly located in the PRC, South Korea and Japan, as well as from new entrants to the industry. We compete on the basis of our ability to fulfill our contractual obligations including our shipyard's capacity and capabilities, and the price and quality of our vessels. Some of our competitors may have more resources and lower operational costs than we do and some may have competitive advantages in building certain types of vessels. Our competitors from time to time may engage in aggressive pricing in order to expand their market shares. Although some of these shipbuilders do not currently compete with us, their infrastructure and technical know-how might allow them to build the types of vessels we build and there can be no assurance that they will not compete with us in the future. We also face competition from domestic and international offshore engineering products

manufacturers. As we continue expanding our logistics, financial and other services, we face competition from companies providing logistics services, international trade services, financial services, general contracted engineering project services and consulting services as well.

Our market position depends on our ability to anticipate and quickly respond to various competitive factors, including the introduction of new or improved products or services by our competitors, pricing strategies adopted by our competitors and changes in our customers' preferences. We cannot assure you that our current and potential competitors will not offer products or services that are comparable or superior to our products or services, at the same or lower prices, or adapt more quickly to evolving industry trends or market requirements. To the extent that our competitors, whether domestic or foreign, gain competitive advantages in terms of pricing, product or service quality, brand name recognition and financial and technical resources, our market share, future plans and development (including our ability to launch or market new products in a commercially viable manner) and results of operations may be adversely affected.

**If we are not able to meet our construction and delivery schedules, our business, financial condition and results of operations may be adversely affected.**

Our ability to meet our construction and delivery schedules is subject to various factors beyond our control. We depend on our suppliers for the timely delivery of raw materials such as steel plates and marine equipment such as marine engines, diesel generators and boilers. We count on the completion of our production bases within the planned timeframe and uninterrupted operations of our drydocks and other manufacturing facilities. We also rely on a skilled workforce and competent management to carry out our business strategies and depend on the timely completion of outsourced work for some projects. Any breach by our subcontractors or outsourcing partners of their contractual obligations or any failure by them to timely complete their work according to specifications will affect our ability to deliver vessels or other products to our customers in accordance with the specifications in the relevant shipbuilding or other purchase contracts. In addition, we are also subject to natural disasters and various risks inherent in shipbuilding activities that may also affect our ability to meet our obligations. Moreover, building new types of vessels may take longer than we expect because our estimate may not be accurate. Any material operational disruptions due to these factors may adversely affect our ability to meet our construction schedules and could result in delays in the delivery of vessels to our customers.

Under our shipbuilding contracts with our customers, we generally have a 30-day grace period beyond the contractual delivery date to deliver vessels to our customers. If a delay extends beyond the grace period, our customers are normally entitled to liquidated damages stipulated in the contracts for the part of the delay falling within the next five to six months, after which they have the right to terminate. On the other hand, if the delays are requested by our customers and mutually agreed among us, we typically do not have to pay liquidated damages. In 2015, 2016 and 2017 and the first half of 2018, we experienced delays in the delivery of eight, eight, five and five vessels, respectively, and paid an aggregate of US\$8.1 million, US\$9.8 million, US\$21.6 million and US\$5.3 million liquidated damages, respectively. In addition to the liquidated damages under the relevant contracts, our operations may be further affected by the slipped docking or undocking time of the subsequent vessels, which may have further adverse effects on our business, financial condition and results of operations. Delays in our delivery of vessels due to our failure to meet the schedule may have a negative impact on our customer relationships and business reputation and result in significant damages, which could adversely affect our business, financial condition and results of operations.

**If our customers terminate or delay shipbuilding contracts, our revenue and profit may be adversely affected.**

Since the onset of the global financial crisis in late 2008 and the prolonged downturn in global shipping business thereafter, shipowners with vessels on order have experienced financing problems as a result of decreased demand in the shipping market, declines in asset values and lack of financing alternatives. These factors exacerbate the risk of cancellation or delays of orders and have caused delays and cancellations of orders throughout the shipping industry. As such, some of our customers may be reluctant or lack sufficient financing or funds to make payments or fulfill their contractual obligations in accordance with our shipbuilding contracts, and consequently request to reschedule the delivery of vessels they ordered by postponing the contractual delivery dates of the vessels or even decide to terminate their orders. In 2015, 2016 and 2017 and the first half of 2018, we experienced delays in the delivery of 51, 58, 82 and 22 vessels, respectively, as requested by our

customers. Since there has been no default on our part, we may retain the installments paid by our customer, and the vessels will be at our sole disposal for sale. The proceeds we receive from the sale will first be used to cover expenses of the sale and our costs as a result of the customer's default, and then to settle either all unpaid installments (in the case that the construction of the vessel is completed), or all costs of construction and expenses incurred for the vessel (in the case that the construction of the vessel is yet to be completed). We will then refund the remainder to the customers. In 2015, 2016 and 2017 and the first half of 2018, we experienced one, 14, ten and three cancellations of our shipbuilding contracts, respectively. Upon our customers' termination of these contracts, we refund part or all of payments we have received on account of the vessel and, in some cases, plus interest stipulated in the contracts. The cancellation of one or more sizeable orders may have a substantial and immediate effect on our business and results of operation. As a result, any cancellation of orders by our customers or significant delay in the delivery of vessels at our customers' request could materially and adversely affect our business, financial condition and results of operations. Furthermore, we cannot assure you that we will not be subject to any material modifications, terminations, delays or cancellations of our contracts by our customers or that the revenue projected from orders in our order book will be realized.

**We may not complete certain contracts within a specified period of time or at all, and as such, our order book may not be an accurate indicator of our future performance.**

Our order book on hand as of a certain date represents the total nominal contract value of the contracts that have not been completed, including the portion of revenue in respect of those orders that we have recognized as of such date. As of December 31, 2015, 2016 and 2017 and June 30, 2018, our Group's order book was 489, 432, 367 and 388 vessels, respectively. These shipbuilding orders are to be completed between 2018 and 2022. For the purpose of calculating our shipbuilding order book, we consider an order to be effective when we sign the shipbuilding contract with the customer, regardless of what payment arrangement the relevant contract provided. There can be no assurance that we can receive the first installment payments from these customers or we can retain part of the payments as damages if the contracts are canceled. Under certain circumstances, we may enter into shipbuilding contracts that are to become effective upon satisfaction of preconditions or subject to customers' discretion. We may treat such contracts as new orders. However, if the preconditions under these contracts are not met or the customers elect not to put the signed contracts into effect, we may no longer count these contracts as our orders and the size of our order book will be reduced. As our order book as of a certain date includes the portion of revenue that we have recognized as of such date, the revenue to be recognized after such date may be substantially smaller than the order book value. Furthermore, the commencement of construction in respect of an individual vessel may be months or years from the date the relevant contract was signed. Such a contract is also counted in our order book during this period and our order book thus does not accurately reflect the amount of revenue or the timing of recognizing revenue from such an order. In addition, we do not account for potential delivery problems in calculating our order book. The successful conversion of these orders into our revenue depends on a number of factors including, among other things, absence of adverse changes in the PRC and global shipping markets, the availability of funds to shipowners, competition, our production capacity, our research and development and our ability to deliver the vessels on time. Some of the factors are beyond our control and are subject to uncertainty by nature. Going forward, our order book may be affected by delays, cancellations and the renegotiations of the contracts, therefore we cannot assure you that we will be able to deliver all of our existing orders on schedule and successfully turn them into our revenue. There can be no assurance that we may be able to successfully obtain more orders from external purchasers. Therefore, you should not consider our order book as an accurate indicator of our future performance or future revenue.

**Our customers may delay and/or default in their payments to us.**

We generally grant our customers credit periods ranging from five to ten business days. Our accounts receivables turnover days in 2015, 2016 and 2017 and the first half of 2018 were 18 days, 20 days, 19 days and 27 days, respectively. If one or more of our customers were to become insolvent or otherwise unable to settle their payables on time, our business, financial condition and results of operations would be materially and adversely affected. For example, as of December 31, 2017, of the total accounts receivables, RMB8,792.9 million (US\$1,328.8 million) had been outstanding for less than one year based on the invoice date (or date of revenue recognition, if earlier), RMB2,135.9 million (US\$322.8 million) had been outstanding for one to three years based on the invoice date (or date of revenue recognition, if earlier), and RMB745.9 million (US\$112.7 million) had been outstanding for more than three years based on the invoice date (or date of revenue recognition, if earlier). As of June 30, 2018, our allowance for doubtful debts amounted to RMB818.3 million (US\$123.7 million).



Our liquidity and operational cash flows may be materially and adversely affected if the accounts receivable cycles or collection periods lengthen or if we encounter a material increase in default of payment from customers. In addition, a customer may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of such customer's order and thereby reduce our total accounts receivables. Should these events occur, we may be required to obtain working capital from other sources, such as third-party financing, in order to maintain our daily operations, and such financing from outside sources may not be available on terms that are favorable to us, or at all. There is no assurance that our customers will meet their payment obligations on time or in full, or that our accounts receivables turnover days will not increase. Any inability on the part of our customers to settle or settle promptly the amounts due to us may adversely and materially affect our business, financial condition and results of operations.

**We may incur losses or fail to realize the anticipated returns from our investment business as a result of unfavorable market conditions or failure to identify investment risks.**

We intend to diversify our business portfolio through investing in companies in selected industries, such as energy, modern services, environmental protection and high-end equipment manufacturing. For example, we invested in China Shipbuilding Industrial Logistics Co., Ltd., through which we are able to provide logistics services. However, there can be no assurance that we will be able to identify suitable target companies or complete our investments. Even if we successfully complete such investments, we may experience delays or failures in realizing the benefits of such investments. If the target company does not reach the profitability we anticipate, our ability to receive dividends on such investments could be severely restricted.

In addition, the performance of our investment business depends on our investment decisions and judgment, which are subject to management discretion and assumptions. If our due diligence on target companies fails to identify relevant risks or our decision-making process fails to effectively prevent or minimize losses, our investment business may suffer material losses, which in turn could materially and adversely affect our business, financial condition and results of operations.

**Our logistics business is dependent on our customers' business performance and their continuing demand for our logistics services.**

As a logistics service provider, we are, to a large extent, dependent on our customers' business performance. For example, if the demand for steel and iron ore decreases, and the sales or purchases of our customers of these products decline, the demand for our logistics services from these customers may correspondingly decrease. Any slowdown in China's economy may reduce the demand for commodities and result in a drop in Chinese exports and imports, which may negatively affect the shipping business and cause the customer demand for logistics services to decrease. See "– The escalating trade war between the U.S. and the PRC may materially and adversely affect our business and results of operations." In addition, our customers' business performance may also be affected by regulatory requirements, trade restrictions, changes in trade policies, tariff regulations or embargoes, which may be beyond their control. If the business performance of our customers are affected by these factors, their demand for our logistics services would also be affected.

**Collateral or guarantees securing our leases may be insufficient to cover the related leasing receivables.**

For the purpose of reducing the credit risk of our ship rental business, under our lease agreements, we require some of our lessees to provide guarantees and/or pledges. In the case of a material breach of lease payment terms, we are entitled to enforce our security rights against such collateral. However, the value of such collateral may decrease significantly and may be adversely affected by factors including damages, losses or a decrease in market demand. Similarly, material deterioration of guarantors' financial condition or creditworthiness may significantly affect the amount we could recover under the respective guarantees. There can be no assurance that such deterioration of financial condition, bankruptcy or liquidation would not happen to such guarantors during the leased period. If the collateral or guarantees securing our leased ships proves to be insufficient to compensate our losses from the relevant overdue lease payments, we may need to obtain additional security from the lessees. If we are unable to obtain additional security, our business and results of operations may be materially and adversely affected.



**We may not be able to complete a construction project on time.**

We provide general contracted engineering services. However, several factors may lead to material construction delays or cost overruns, including but not limited to:

- failure to obtain various regulatory approvals, licenses or permits from government authorities as scheduled;
- suspension of the construction of certain outdoor projects ordered by government authorities during severe air pollution;
- delivery delays caused by shortages of key equipment, raw materials or labor;
- quality issues with equipment;
- unexpected engineering, design, environmental or geological issues;
- influence of unexpected adverse weather or the occurrence of any force majeure event; and
- failure to obtain sufficient bank loans or other financing on favorable terms, or at all.

We cannot assure you that our construction projects will be completed on time. Any delay during the construction of a project could result in a delay or a reduction in payment by our customers to us and have a material adverse effect on our business, financial condition and results of operations.

**Construction projects are non-recurrent in nature, and there is no guarantee that our existing customers will engage us in future business.**

As is customary in the construction industry, we are awarded projects by our customers on a project-by-project basis. Our existing customers are not obligated to award projects to us, and there is no guarantee that we will be able to secure new business from our customers despite the long-term relationships we may have with some of them. As a result, our revenue and the number of construction projects we can secure may vary from period to period and it is difficult to forecast the volume of our business in the future. We cannot guarantee that we will be able to secure future business from our existing customers, or that we will be able to develop relationships with new customers, in which case our business, results of operations and future growth would be materially and adversely affected.

**Revenue contribution from our shipbuilding, ship repair and offshore engineering business may continue to decline.**

Historically, we derived a majority of our revenue from our shipbuilding, ship repair and offshore engineering business. However, revenue contribution from our shipbuilding, ship repair and offshore engineering business has continued to decline since 2014 mainly due to the reduced market demand for vessels caused by a prolonged downturn in the global shipping business since 2008, which consequently led to and the decreases in vessel prices, and change of our focus on the development of our logistics, financial and other services. In 2015, 2016 and 2017 and the first half of 2018, our revenue from shipbuilding, ship repair and offshore engineering was RMB80,227.6 million, RMB71,880.6 million, RMB70,976.4 million (US\$10,726.2 million) and RMB24,903.0 million (US\$3,763.4 million), respectively, representing 42.5%, 36.4%, 35.4% and 34.9%, respectively, of our total revenue of our business segments. As we continue to face challenging market conditions in the shipbuilding, ship repair and offshore engineering business due to the over-capacity in the shipbuilding industry amidst a weak global economy, revenue contribution from our shipbuilding, ship repair and offshore engineering business may continue to decline, which may have a material adverse effect on our business, financial condition and results of operations.

**Our business operations are subject to adverse weather conditions, natural disasters and other operating hazards.**

Most of our production activities are conducted outdoors and may be materially and adversely affected by adverse weather conditions. For example, we may experience significant project delays caused by inclement weather, such as protracted periods of precipitation or extreme temperatures. These situations could result in our inability to meet key milestones set forth in our contracts, and cause us to incur additional costs. In addition, natural disasters and other operating hazards, such as earthquakes, floods, typhoons, landslides or fire, may interrupt our production. Substantial damage to our projects caused by any of these events or the resulting disruptions, technical or mechanical difficulties or sourcing difficulties could be costly and time-consuming to repair and may disrupt our operations. Any significant delay or interruption could impair our ability to meet our contractual obligations and cause us to be liable for damages or cause our customers to cancel orders, any of which could negatively affect our reputation, business and results of operations.

**Fluctuation of the U.S. dollar relative to the Renminbi may adversely affect our business, financial condition and results of operations.**

There has been considerable volatility in the exchange rates between the Renminbi and the U.S. dollar. While our reporting currency is the Renminbi and our payments for raw materials and marine equipment purchased in the PRC are denominated in the Renminbi, most of our shipbuilding contracts are denominated in U.S. dollars and our payments for imported raw materials and marine equipment are also denominated in U.S. dollars. Changes in the value of the U.S. dollar relative to the Renminbi may affect our gross margins due to our inability to adjust the prices in our shipbuilding contracts to account for these changes. In addition, any unfavorable movement in the exchange rates may lead to an increase in our costs or liabilities or a decline in revenue, which could materially and adversely affect our business, financial condition and results of operations.

We enter into fixed-price shipbuilding contracts generally up to one to three years before scheduled delivery. After we receive the first installment payment from the shipowners, we do not receive the balance of the contract price until we achieve certain milestones during the construction period. As a result, we are exposed to changes in exchange rates during the period from the initial payment to the final payment under the contract. In addition, because we receive payments in accordance with the progress of construction, our options to hedge against currency risks are limited. Furthermore, we are also exposed to foreign exchange fluctuations to the extent that we have assets and liabilities denominated in currencies other than the Renminbi, the reporting currency.

The value of the Renminbi against the U.S. dollar fluctuates and is affected by, among other things, changes in the political and economic conditions in the PRC and the United States. The conversion of Renminbi into U.S. dollar has been based on the PBOC exchanges rates. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 32.1% from July 21, 2005 to September 30, 2014. The PRC may decide to permit the Renminbi to fluctuate more widely against the U.S. dollar in the future which could result in the gradual appreciation of the Renminbi against the U.S. dollar. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the Renminbi against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the Renminbi against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi was joining its Special Drawing Rights currency basket. Since then, the exchange rate of the RMB against the U.S. dollar has continued to fluctuate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies.

Changes in the relative value of the Renminbi and the U.S. dollar and other currencies will result in realized and unrealized foreign exchange gains and losses. We attempt to factor in the estimated Renminbi appreciation and/or depreciation against the U.S. dollar in the contract price of our vessels. However, our estimates may not be accurate. Any significant fluctuation between the Renminbi and U.S. dollar, especially any appreciation of the Renminbi against the U.S. dollar, could result in foreign exchange losses and may adversely affect our business, financial condition and results of operations.

**We are exposed to the risk of fluctuations in the prices of raw materials, equipment and shipbuilding components that we use in our businesses.**

Marine equipment and components such as marine engines, diesel generators and boilers generally constitute the largest component of our cost of sales. The prices for marine equipment and shipbuilding components are usually determined at the time we place our purchase orders. While we try to order marine equipment and shipbuilding components to match the vessels promptly after we sign our fixed-price contracts, we are typically required to make advance payments of 5% to 15% of the contract price with our suppliers. If we do not have sufficient cashflow to make advance payments, we may be exposed to price increases and may not be able to obtain favorable prices. In the event that the cost of marine equipment and components increases at a quicker pace or significantly more than we expect, such increases may not be fully reflected in our existing fixed-price shipbuilding contracts. In these circumstances, we may not be able to pass these price increases on to our customers under existing contracts, which may adversely affect our business, financial condition and results of operations.

Steel also constitutes a large component of our cost of sales. Like many other major shipbuilders in the PRC, we enter into fixed-price shipbuilding contracts with our customers. To reduce the impact of fluctuations in steel prices on our cost of sales, we typically enter into contracts with steel suppliers, pursuant to which, we are entitled to purchase steel from such suppliers at a fixed-price for a specified period of time. In the event that the cost of steel increases at a faster pace or more significantly than we expect, increases may not be fully reflected in our existing fixed-price shipbuilding contracts and this may adversely affect our business, financial condition and results of operations.

**We may not be able to efficiently manage our inventory risks.**

Our scale and business model require us to manage a large volume of inventory effectively. Our inventory mainly comprise raw materials, work in progress and projects under construction. As of December 31, 2015, 2016 and 2017 and June 30, 2018, our inventory amounted to RMB45,988.1 million, RMB46,637.0 million, RMB40,107.8 million (US\$6,061.2 million) and RMB42,887.8 million (US\$6,481.4 million), respectively. If the prices of our inventory drop sharply, we may be subject to a decline in inventory values, significant inventory write-downs or write-offs. In addition, we may need to lower sale prices in order to reduce our inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition.

**We and our affiliates have business activities in certain countries that are the subject of economic sanctions.**

We and our affiliates have business presence in a number of foreign countries or regions, including certain countries or regions that are the subject of economic sanctions administered or enforced by the United States, the United Nations, the European Union or the United Kingdom. We have a representative office in Iran and Russia, respectively. We and our affiliates also have a large number of clients located worldwide and engage in limited business activities relating to countries or regions that are the subject of various United States economic sanctions regimes, including Iran. The business activities conducted by us and our affiliates in the sanctioned countries or regions include sales/purchases of ships/vessels, machinery and equipment (some of which may have military applications), and it is expected that we and our affiliates will continue to engage in limited business activities relating to those countries or regions. The interpretation or implementation of government policy at the U.S. federal, state or local levels with respect to any current or future activities by us and our affiliates in countries or regions that are the subject of U.S. sanctions or with sanctioned individuals or entities is difficult to predict. As of the date of this offering circular, although our overall operations and activities in these sanctioned countries or regions represent only an insignificant percentage of our consolidated assets, revenues and net income, such activities by us may have a material adverse effect on your investment in the Bonds. If the U.S. government determines that we and our affiliates engage in any sanctionable activity or

activity that is contrary to U.S. policy, we and our affiliates, as the case may be, could be subject to various sanctions and may be subject to negative publicity or investor attention, which may distract management, consume internal resources and affect investors' perception of us.

In particular, a number of U.S. sanctions laws, regulations, and Executive Orders target non-U.S. companies that engage in certain Iran-related activities, including specified activities related to the energy (including petroleum and natural gas resources), petrochemical, shipping, shipbuilding, and automotive sectors, as well as activities relating to Iranian port operators and Iranian currency, and Iranian entities designated by the United States for weapons of mass destruction proliferation or support for terrorism. In addition, the recently-enacted Ukraine Freedom Support Act ("UFSA") of the U.S. authorizes the U.S. President to impose sanctions on non-U.S. companies that knowingly make significant investment in certain special Russian crude oil project.

If it is determined that we and our affiliates engage in activities targeted by these U.S. sanctions, the U.S. government could impose sanctions on us or our affiliates, ranging from restrictions on U.S. exports or bank financing to outright blocking of the sanctioned entities' property within U.S. jurisdiction. If the most extreme sanction, blocking, were applied to us or our affiliates' property, including property of their respective controlled subsidiaries, we or our affiliates, as the case may be, could be prohibited from engaging in business activities in the United States or with U.S. individuals or entities. There is no assurance that we or our affiliates will not be the subject of sanctions in the future due to their activities in or related to Iran and such other sanctioned countries, regions or entities. If we were sanctioned, it could materially and adversely affect the market price of the Bonds and the Bondholders might be unable to sell, or receive distributions with respect to, the Bonds. In addition, certain U.S. state and local governments and colleges have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain countries or regions that are the subject of U.S. sanctions, such as Iran.

**We rely upon key management personnel and our ability to attract and retain additional talents and skilled personnel.**

Our success depends, to a significant extent, upon the continuing service of our key management personnel and technicians at our PRC operating subsidiaries. A large number of our key management personnel have worked for major PRC or international shipbuilders and have brought with them valuable knowledge, experience and connections. They have been instrumental in charting our business direction and spearheading our growth. In particular, Mr. Lei Fanpei, our Chairman, has over 31 years of experience in research and development, corporate management and strategic decision-making. We rely on their extensive knowledge, experience and expertise in corporate management, strategic planning, production, finance, research and development and business practices of the shipbuilding industry. We expect to face increasing competition for management personnel from other shipbuilders, driven largely by strong growth in the PRC shipbuilding industry. If we lose the services of any of our existing key management personnel without timely and suitable replacements, or if we are unable to attract a sufficient number of management personnel to meet the needs of our growth, our business, financial condition and results of operations may be adversely affected.

Our shipbuilding, offshore engineering and marine engine building operations require highly skilled and qualified personnel, including engineers, crane operators, welders and painters. For example, our engineers in the design and research department are instrumental in preparing the production design and play a central role in scheduling the production process. They also play a critical role in our cost management system, as we depend on them to formulate production design plans that will allow for the efficient utilization of raw materials. In addition, we may need additional employees and contract workers to sustain and expand our operations. Competition for skilled shipyard, machinery and engineering labor in the PRC is intense. Expansion of the operations of our competitors and the resulting hire of additional workers may lead to salary increases for our employees and higher labor costs for our contract workers. As a result, we may from time to time experience difficulties in attracting and retaining highly skilled employees. Labor shortages or the inability to retain skilled employees may increase our cost of labor and hinder our productivity and ability to complete the construction of our vessels on time and increase the prices at which we must sell our products to maintain profits. If we are unable to maintain a sufficient number of skilled and qualified personnel to handle the more sophisticated and technology-intensive processes, or if we are required to pay substantially higher salaries to procure these personnel, our business, financial condition and results of operations may be materially and adversely affected.

**If we cannot renew our coastline use rights for our shipyard facilities in a timely manner, our business, financial condition and results of operations will be materially and adversely affected.**

According to the relevant coastline laws and regulations of the PRC (the "PRC Coastline Regulations"), businesses utilizing the coastline, such as us, are required to enter into a coastline occupation

agreement with the relevant PRC authorities and pay the prescribed annual fees for the use of the coastline. These fees vary depending, in part, on the length of the coastline and the area of the water occupied. In addition, we are required to obtain a coastline use right evidenced by an Occupying Certificate of Riverway Construction Project (a “**Coastline Right Certificate**”).

We possess Coastline Right Certificates in respect of an aggregate of 20,000 meters of coastline, which are critical to our business operations. Our certificates are generally valid for a period from 30 to 50 years. Renewal of the certificates will require us to pay the fees for the continued use of the coastline and water area as prescribed in the relevant coastline occupation agreement and a review by the relevant PRC authorities of whether we are in compliance with the PRC’s Water Law and Flood Prevention Law.

In addition, relevant approvals are required for any construction projects involving the use of the coastline under the PRC Water Law. If the facilities are constructed without the requisite approvals, the PRC authorities have the right to require us to cease operations and to demolish our facilities.

In the event we fail to pay the requisite coastline occupation fees to the PRC government or otherwise fail to satisfy our obligations under the coastline occupation agreements, such as compliance with relevant PRC laws relating to water resources, including the PRC’s Water Law and Flood Prevention Law, and with approvals and requirements issued by Yangtze River Water Resource Commission and local water resources agencies, the PRC government could impose fines on us resulting in a material adverse effect on our business, financial condition and results of operations. In addition, if we are unable to renew or extend either the coastline right certificates or the coastline occupation agreements, we may lose the right to use all or a portion of our coastline and be required to cease operation along the affected coastline, which would materially and adversely affect our business, financial condition and results of operations.

**Failure or delays in obtaining required certification from classification societies may cause delays in our delivery schedules and disruptions in our business.**

We are required to construct our vessels in accordance with contractual specifications and requirements and the rules and regulations of the classification societies. According to the PRC Governing Survey of Ships and Offshore Installations (《中華人民共和國船舶和海上設施檢驗條例》), we need to obtain certification from the classification societies that is allowed to conduct statutory surveys on behalf of the register of shipping subject to the latter’s authorization for each vessel. Failure or delays in obtaining required certification from classification societies may cause delays in our delivery schedules and disruptions in our businesses.

**Our future expansion is limited by our production capacities and subject to risks beyond our control.**

Our expansion in the shipbuilding business may be limited by our production capacity of our shipyard, which in turn is limited by, among other things, the availability of berths in our shipyard, the number and size of our drydocks, wharves, plant and equipment. Currently, we have 15 drydocks in operation and an aggregate production capacity of 17.8 million DWT as of June 30, 2018 (or a larger capacity if approved by the relevant governmental authority). To achieve full operational capacity of our drydocks, we may need additional equipment and drydock facilities, and cannot assure you that we will be able to obtain land, approvals or capital required for the construction of the new shipyard facilities. If we are unable to complete construction of the new shipyard facilities in a timely manner, we may have to rely on our existing drydocks, cranes, equipment and facilities to fulfill orders for larger vessels, which may restrict our ability to accept new orders. Moreover, any delay in constructing the new shipyard facilities or for the new shipyard facilities to reach their full production potential may affect our ability to execute our plans to expand our manufacturing capacity, which may adversely affect our business, financial condition and results of operations.



Further, during the expansion of our production capacity, we are subject to a number of construction, financing, operational and other risks beyond our control, including, but not limited to:

- shortages of raw materials, equipment and labor;
- adverse weather conditions and natural disasters;
- changes in demand for our products and services;
- loss of business during the reconstruction or upgrading of our existing shipyard facilities;
- labor disputes or disputes with subcontractors;
- inadequate infrastructure, including as a result of failure by third parties to fulfill their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- failure by our contractors to complete projects according to our specifications;
- accidents;
- changes in governmental policies relating to the shipbuilding industry, approvals financing;
- inability to obtain and maintain requisite government licenses, permits or approvals;
- over-capacity in global shipbuilding and marine engine building; and
- power shortage/disruption of power.

For example, the shipbuilding industry has periodically suffered from depressed prices and lower profit margins resulting from over-capacity. Prior to the global economic downturn that started in 2008, global shipbuilding capacity expanded significantly, particularly in the PRC, South Korea and Japan, driven in part by strong growth in the global demand for vessels. This resulted in over-capacity when global demand for vessels decreased as a result of the financial crisis which commenced in 2008. Over-capacity may be exacerbated by the large number of vessels which were contracted for prior to the financial crisis, are currently under construction and are scheduled for delivery within the next couple of years. This over-capacity may affect our ability to increase sales and production in general, as well as reduce the prices in U.S. dollar terms of our principal products, which may adversely affect our business, financial condition and results of operations.

In June 2009, the General Office of the State Council promulgated the Plan on Adjusting and Revitalizing the Shipbuilding Industry (船舶工業調整和振興規劃) (the “**Plan**”). In September 2009, the State Council promulgated the Notice of Several Opinions on Curbing Overcapacities and Redundant Constructions in Certain Industries and Guiding the Healthy Development of Industries (國務院批轉發展改革委等部門關於抑制部份行業產能過剩和重複建設引導產業健康發展若干意見的通知) (the “**Notice**”). According to the Plan and the Notice, the PRC shipbuilding industry is currently experiencing serious over-capacity. Within three years starting from the date of the Notice, land, maritime, environmental protection, finance and other relevant departments at all levels shall no longer accept applications for new docks or slipway projects, and shall suspend the examination and approval of projects regarding the expansion of existing docks or slipways of shipbuilding enterprises. In July 2013, the State Council further promulgated the Circular on Issuing the Implementation Plans on Accelerating Structural Adjustment and Promoting Transformation and Upgrading of the Shipbuilding Industry (2013-2015) (國務院關於印發船舶工業加快結構調整促進轉型升級實施方案(2013-2015年)的通知) (the “**Circular**”). The Circular continues to prohibit governmental approval of applications for new docks or slipway projects at all levels.

In March 2016, the Ministry of Industry and Information Technology, or the MIIT, promulgated the Plan on Enhancing the Productivity of the Ship Ancillary Production Industry (2016-2020) (船舶配套產業能力提升行動計畫(2016-2020)), aiming to increase supportive measures for the research and development of ship ancillary products and to provide stronger financial and tax incentives to such manufacturers. In January 2017, the MIIT promulgated the Plan on Deepening Shipbuilding Industry's Structural Adjustment and Accelerating Shipbuilding Industry's Transformation and Upgrading (2016-2020) (船舶工業深化結構調整加快轉型升級行動計畫(2016-2020)). This plan sets forth a variety of measures to promote the innovation and sustainable development of the shipbuilding industry, and to accelerate the adjustment of the traditional industrial structure. In November 2017, the MIIT promulgated the Plan on Sustainable Development of Marine Equipment Manufacturing Industry (2017-2020) (海洋工程裝備製造業持續發展行動計畫(2017-2020)). This plan sets forth measures to support the development of the marine equipment manufacturing industry, such as supporting research and innovation and providing financial and tax incentives.

We believe the Notice has not and will not materially affect our business and operating activities. However, the occurrence of one or more of the aforementioned events may negatively affect our ability to complete our current or future expansion plans within our budget and may prevent us from achieving the projected revenue, rate of return or capacity in these expansion plans. Furthermore, there is no assurance that the cashflow generated from our operating or financing activities will be sufficient to cover the associated construction and development costs.

#### **Some of our subsidiaries may encounter financial distress.**

Some of our subsidiaries may encounter financial distress and even become insolvent. For example, our indirect wholly owned subsidiary, Shanghai Shipyard Co., Ltd., (“**Shanghai Shipyard**”) may cease operations as a result of financial distress. Though Shanghai Shipyard will pay its debts that become due, it may dispose of its assets over a period of three to five years. In addition, our wholly owned subsidiary Guangzhou Wenchong Dockyard Co., Ltd recorded significant loss in 2017. The financial distress of a subsidiary may subject us to various risks. If a subsidiary is unable to repay its own debts in full, unpaid creditors of such subsidiary may look to us as a target to recover on their claims and we may also have exposure to such subsidiary's creditors under contracts. In addition, our brand and reputation could be harmed by negative publicity or media reports associated with the financial distress or insolvency of our subsidiaries, which may result in a decrease in our brand value and have a material adverse effect on our business, results of operations and financial position.

#### **We experienced negative operating cash flows for the year ended December 31, 2016.**

Shipbuilding and construction businesses usually require substantial capital investment during the building and construction period. We experienced negative cash flows from operating activities of RMB16,994.2 million (US\$2,560.7 million) for the year ended December 31, 2016, which was mainly caused by the fluctuations in the prices of the raw materials, equipment and components that we use in our businesses and increases in labor costs. We therefore require external funding to expand our business and to acquire and develop new projects. In the past we had utilized equity and debt financing to fund our business operations. We typically use internal funds, cash generated from our business, bank loans and other borrowings, including proceeds from the offering of domestic corporate bonds and international bonds outside the PRC to finance our needs of business operation and development. We expect to continue to fund our projects through these sources. However, we cannot assure you that such funds will be sufficient or that any additional external financing can be obtained on satisfactory or commercially reasonable terms, or at all. We cannot assure you that we will record positive operating cash flows in the future. Negative operating cash flows may reduce our financial flexibility and our ability to obtain additional borrowings, and adversely affect our liquidity and operations.

#### **We may be unable to obtain external financing on favorable terms, or at all, to fund our ongoing operations and expansions.**

To fund our ongoing operations, existing and future capital expenditure requirements, investment plans and other financing requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. We principally fund our operations from a combination of cash generated from our business operations and bank borrowings. We cannot assure you that in the future we will be able to secure sufficient capital to fund our working capital requirements and planned capital expenditures. In particular, the availability of external funding is subject to various factors, some of which are beyond our control, including obtaining governmental approvals, prevailing capital market conditions, credit availability, interest rates and the performance of the businesses we operate. Our inability to arrange sufficient funding in a timely manner or on terms that are satisfactory to us could adversely affect our business, results of financial condition and expansion plans.



**Our shipbuilding contracts are on a fixed-price basis, which may result in losses or lower profitability for us than anticipated in the event that we incur unforeseen or additional expenses.**

All of our shipbuilding contracts are fixed-price contracts. We enter into these contracts generally up to one to three years prior to the scheduled delivery of a vessel. We attempt to forecast costs of labor and raw materials when we enter into our fixed-price contracts and retain all cost savings on completed contracts but remain liable for the full amount of all cost overruns. The actual costs incurred and profits we realize on a fixed-price contract may vary from our estimates due to factors such as:

- unanticipated variations in labor and equipment productivity over the term of a contract;
- unanticipated increases in labor, raw material, subcontracting and overhead costs, including as a result of forces beyond our control; and
- delays in delivery and corrective measures.

Depending on the size of the project, variations from estimated contract performance may significantly reduce our earnings and even result in losses. Furthermore, our fixed-price contracts usually provide for liquidated damages if we are unable to deliver vessels according to the schedules in these contracts. In these situations, significant cost overruns on our fixed-price contracts may adversely affect our business, financial condition and results of operations.

**We may incur repair costs for defects under our product warranties and face claims or contract price adjustments if our vessels fail to meet the standards stipulated in the relevant shipbuilding contracts.**

We may face claims by our customers in respect of defects, poor workmanship or non-conformity to our customers' specifications in respect of vessels, offshore engineering products, marine diesel engines and engineering machinery built by us. In addition, our customers are entitled to price adjustments at the time of vessel delivery if we fail to meet the standards in respect of speed, fuel consumption and deadweight specified under the relevant shipbuilding contracts. We typically provide a warranty period of 24 months commencing from the delivery of the vessel to our customers. For our marine diesel engines, the warranty period is typically 12 months starting from the delivery of the engine or 12 months starting from the delivery of the vessel, whichever is shorter. For our engineering machinery, the warranty period is typically 12 months starting from the delivery of the machinery. Due to the length of the warranty period provided by us, we may be subject to claims from our customers and we may incur additional costs if rectification work is required in order for us to satisfy our obligations during the warranty period. We generally estimate the costs of rectification work to be in the range of 0.2% to 0.5% of the contract price depending on the types of the products and make provisions for these costs in our operations. However, there is no assurance that our warranty provisions will be sufficient to cover the costs incurred for defects. If the cost of any rectification work and the amount of any warranty claims exceed the warranty provisions we have made, our business, financial condition and results of operations may be adversely affected.

**We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.**

We now have, and will continue to have after the offering of the Bonds, a substantial amount of indebtedness. As of December 31, 2015, 2016 and 2017 and June 30, 2018, our total borrowings (including short-term borrowings, current portion of long-term borrowings, long-term borrowings and long-term bonds) amounted to RMB69,486.2 million, RMB89,564.5 million, RMB86,781.6 million (US\$13,114.7 million) and RMB82,684.7 million (US\$12,495.6 million), respectively. Our substantial indebtedness could:

- limit our ability to satisfy our obligations under the Bonds and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;

- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds;
- increase the cost of additional financing; and
- affect our net profit.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flows will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

**We may not be able to manage our growth effectively, or implement our business strategies successfully.**

To manage the expansion of our business and the growth of our operations and personnel, we need to continuously improve our operational and financial systems, procedures, compliance and controls. We also need to expand, train and manage our growing employee base. We cannot assure you that our current systems, procedures and controls will be adequate to support our expanding operations. If we fail to manage our expansion effectively, our business, results of operations and prospects may be materially and adversely affected.

Our business objectives and strategies as set out in this offering circular are our existing plans and intentions, which are based on prevailing circumstances and the development trend of our industry currently known to us. However, the implementation of our strategies and plans may result in significant capital expenditures incurred by us, which may or may not be recoverable, and may divert management's attention from our other businesses. There is no assurance that we will successfully implement our strategies or that our strategies will be able to achieve our objectives. Our business and prospects may be materially and adversely affected if our business objectives are not achieved.

**Our insurance policies may not fully cover inherent risks associated with our shipbuilding, offshore engineering, marine engine building, engineering machinery businesses or our other production activities.**

Our shipbuilding and offshore engineering processes depend on certain critical shipyard facilities, such as drydocks, berths and cranes, which are subject to unexpected interruptions, including these due to natural disasters and human errors. Our shipyard operations, marine engine building, engineering machinery manufacturing and other production activities may be adversely affected by events such as the breakdown, malfunction or misuse of equipment, damage to drydocks, difficulties or delays in obtaining spare parts, labor disputes, raw material shortages, natural disasters, civil disorders and industrial accidents. For example, at our shipyard, a substantial portion of our activities involves the fabrication and assembly of large steel structures, the operation of cranes and other engineering machinery, construction of vessels in our drydocks and docking and undocking of vessels. At our engine and engineering machinery plants, we often use large steel parts, engineering machinery and equipment and inflammable materials in the process of manufacturing diesel engines and heavy machinery. Each of these activities and materials involve inherent operational hazards.

We may, as a result, be exposed to substantial liability for personal injuries, deaths, product liabilities, property damages and environmental damages. The occurrence of any of these events may result in the interruption of our operations, while we do not have insurance for business interruption. Our insurance covers only some of the risks that we face and may not be sufficient to cover all our potential losses or liabilities. Moreover, our current insurance coverage may be at significantly lower levels of compensation than international market practice. Furthermore, we cannot assure you that the insurance will be generally available in the future or, if available, that the premiums will not increase or remain commercially justifiable. Any major disruption or disaster at our production facilities could have a material adverse effect on our business, results of operations and financial condition.

**If we experience power shortages, we may not be able to meet our contract schedules, and our business, financial condition and results of operations may be adversely affected as a result.**

Our ability to meet our construction and delivery schedule is subject to a continued and adequate supply of power. As a result, we may experience delays and disruptions in our shipbuilding operations due to power shortages, and our product delivery to customers could be delayed beyond delivery schedules, which could adversely affect our revenues, gross margins and results of operations. Under the shipbuilding contracts with our customers, we generally have a 30 days grace period beyond the contractual delivery date to deliver vessels to our customers. If a delay extends beyond the grace period, our customers are normally entitled to liquidated damages stipulated in the contracts for the part of the delay falling within the next five to six months, after which they have the right to terminate. The liquidated damages are calculated based on the number of days elapsed after the 30 day grace period and the amount of damages per day according to the terms of each contracts. Delays in the delivery of vessels may have a negative impact on our customer relationships and business reputation and could result in significant damages, which may adversely affect our business, financial condition and results of operations.

**We may be involved in legal or other proceedings arising out of our operations from time to time and may face significant liabilities as a result.**

We may be involved from time to time in material disputes with various parties involved in the building of our vessels, offshore engineering products, marine diesel engines and engineering machinery, including but not limited to subcontractors, suppliers, contract workers, labor agencies, insurers, trading companies, banks and purchasers. These disputes may lead to protests, or legal or other proceedings, and may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

**We are subject to certain negative findings by an inspection team from the Central Leading Group for Inspection Work.**

Following the 18th Party Congress in 2012 and the wide-reaching anti-corruption campaign in China, the Central Leading Group for Inspection Work (中央巡視工作領導小組) (the “**Inspection Leading Group**”), a coordination body set up under the Central Committee of the Communist Party of China for the purpose of managing party disciplinary inspections nationwide, has dispatched inspection teams (巡視組) to provinces and central government organs such as ministries and SOEs, including CSSC, in China to conduct inspection work on party disciplinary enforcement.

According to a report published by the Central Commission for Discipline Inspection of the Communist Party of China (中國共產黨中央紀律檢查委員會) on February 5, 2015, an inspection team from the Inspection Leading Group issued its findings upon inspection on our Group. The inspection team has pointed out a number of deficiencies in our procurement system, resulting in certain employees and their family members profiting from illegitimate gains, overruns in the procurement budget and lack of transparency and competitiveness in the procurement process. Other deficiencies mentioned in the report included drain of state assets during our acquisitions and corporate reorganizations, deficiencies in our decision-making and personnel management practices and other questionable activities of certain employees. The inspection team has also issued a number of recommendations for rectification of the aforementioned deficiencies to help improve our internal control and

corporate governance mechanisms. The Inspection Leading Group's findings of and recommendation for rectification for various deficiencies identified in our internal control and corporate governance systems have drawn our senior management's great attention. Although as disclosed in "Description of the Group – Compliance," we believe we have established corporate governance and internal control systems, including anti-corruption and ethical integrity management, to ensure operational, legal, financial and ethical compliance in all aspects of our business, we will strictly follow the Inspection Leading Group's recommendations for rectification of those deficiencies to further improve our internal control, corporate governance and risk management mechanisms. We believe that the inspection team's findings will not materially and adversely affect our business, financial condition and results of operations. However, there is no assurance that there will not be any further investigations or actions against us, our officers or employees resulting from the findings taken by the Inspection Leading Group or other governmental authorities and such investigations or actions would not affect us as a result.

### **We face risks relating to our intellectual property rights.**

Even if our research and development efforts are successful, we may not be able to apply these newly developed technologies to products that will be accepted by the market or apply them in a timely manner to take advantage of the opportunities presented in the market. Furthermore, the market demand expected at the development stage may not materialize or the market may not accept our new products when we introduce them. The level of economic benefits that can be derived from newly developed technologies or products may be affected by how quickly our competitors can replicate these technologies or products or develop newer or cheaper alternatives. If our technologies or products are replicated, replaced or made redundant in a manner that we did not anticipate, our revenue may not offset the costs that we have incurred in developing the new technologies. Furthermore, if we are not able to anticipate trends in technological or product developments and rapidly develop new and innovative technologies or products required by our customers, we may not be able to produce sufficiently advanced products at competitive prices, which in turn may have a material and adverse impact on our business, financial position and results of operations.

In addition, our patents, trade secrets, technology licenses and other intellectual property rights are important to our business. We own or otherwise have rights to a number of patents. We cannot assure you that these measures will be sufficient to prevent any misappropriation of our intellectual property, or that our competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on our intellectual property. Existing laws in the PRC offer limited protection of our intellectual property rights. Enforcing our intellectual property rights could be costly and we may not be able to detect unauthorized use or take appropriate and timely actions to enforce our intellectual property rights.

If potentially infringing conduct is discovered or claims on use or infringement of intellectual property are brought by or against us, we may need to defend our intellectual property rights in legal proceedings. Bringing or defending such claims, should they arise, would divert our financial and human resources from the core activities related to our operations. If we do not prevail in such proceedings, we may not be able to stop the third parties from continuing to use the relevant intellectual property and may be required to pay damages and be barred from using certain technologies, designs or other intellectual property rights. No assurance can be given that we will be able to develop non-infringing substitutes or replacements or to obtain licenses to such intellectual property rights on commercially reasonable terms or at all.

Moreover, we may be subject to product liability claims, suits and complaints incidental to our business in the PRC. If our products are found defective and/or cause property or economic loss or damage or physical injury to any person, we may have to devote significant resources to defend any such potential claims or to provide compensation. This may also adversely affect our relationship with our customers, lead to negative publicity and have other adverse consequences, any of which may adversely affect our business, financial condition and results of operations.

## **RISKS RELATING TO OUR INDUSTRY**

**Our business and financial condition may be adversely affected by global and domestic economic conditions.**

Recent global market and economic conditions have been unprecedented with prolonged downturn in most major economies. Continued concerns about the systemic impact of a potentially long-term and widespread recession, downgrade of the U.S. credit rating and the sovereign debt crisis in Europe, energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and diminished expectations for economic growth around the world. The difficult economic outlook has negatively affected business and consumer confidence and contributed to unprecedented volatility levels. Moreover, the uncertainties relating to the political environment in various regions of the world may also impact China's economic growth. For example, on June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). It is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. The uncertainty may also create a negative economic impact and increase volatility in Global markets. The global economic slowdown have adversely affected the shipping industry, and in turn, the shipbuilding industry. The uncertainty in the global, political and economic environment may continue to adversely impact the economic growth of the PRC. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global and PRC economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

**Worldwide demand and pricing for commercial ships are highly dependent on global economic conditions and cyclicity of the industries served by the shipping industry.**

Worldwide demand and pricing for commercial ships fluctuate with conditions in the shipping industry, which in turn are significantly influenced by trends in world seaborne trade and global economic conditions. The commercial shipbuilding industry is highly cyclical in nature. The global economic slowdown that started in 2008 resulted in lower global demands for products and raw materials and caused declines in the volume of exports and imports, which in turn have reduced the freight rates for vessels carrying products such as grain, coal, iron ore and crude oil. Demand for and pricing of our products are particularly sensitive to trends in the shipping, transportation, oil and other trade-related industries. Companies in these industries experience significant fluctuations in their revenues and profitability due to a variety of factors, including general economic conditions and factors affecting each of these industries individually. Freight rates were also affected by frozen credit markets and the reduction in banks' willingness to provide letters of credit used by traders to fund purchases of cargo. The low utilization rate, falling freight rates and the expected high delivery of new vessels in the future may reduce carriers' profitability and cause a number of ships to remain idle. Prices of new vessels may fall and shipowners may be unable to pay for new vessels. If the level of world seaborne trade in any of these industries such as shipping and oil industries, continues to decrease due to the global economic downturn or other factors, it may result in market conditions characterized by weaker demand and falling prices for our vessels and may adversely affect our business, financial condition and results of operations.

**We are highly dependent on the growth of the PRC and global trade activities for raw materials such as crude oil, coal and iron ore.**

The commercial shipbuilding industry has traditionally experienced fluctuations in freight and charter rates and vessel values, depending on factors including the demand for, and supply of, shipping capacity, which in turn has been largely influenced by the PRC and global demands for, and supplies of raw materials such as crude oil, coal and iron ore. Our product offerings are concentrated on high tech and high value-added vessels, which are mainly used by shipping companies and cargo owners to transport crude oil, coal and iron ore to destinations in the PRC and worldwide. It is expected that sustained economic growth in the PRC and worldwide would create a growing demand for these raw materials, the prices and volumes of which have largely determined the growth of the global shipping industry. The expected increase in demand for crude oil in the PRC and worldwide would necessitate further exploration of new reserves in deep seas, which would in turn create a demand for offshore engineering products used to explore and extract crude oil from seabeds. The growth of our offshore engineering business is highly dependent on the continuous PRC and global demands for these raw materials. However, the global economic slowdown that started in 2008 caused declines in the volume and price



of exports and imports. We cannot assure you that the demand for raw materials can be sustained or will continue to grow or will not decrease. A decrease in demand in the PRC or globally may cause a reduction in demand for the bulk carriers, crude oil tankers or offshore engineering vessels we build and this decrease may adversely affect our business, financial condition and results of operations.

**Our costs may increase due to changes in regulations pertaining to the shipbuilding industry.**

The shipbuilding industry is heavily regulated by both PRC and international regulations. Among other things, the vessels we construct for our customers are required to meet the standards and requirements of the classification society specified by our customer and the rules applicable to the type and size of vessels promulgated by the relevant regulatory authorities that may comprise maritime authorities of the country of registry and of nations which the vessel is likely to trade or transit through, such as the Panama and Suez canals. Furthermore, construction of certain shipyard facilities is subject to approvals from the PRC government. Due to the rapid expansion of our business, our existing licenses, permits, authorizations or approvals may not match our growth and we may need to apply for new licenses, permits, authorizations or approvals. For example, we may need goliath gantry cranes with lifting capacities higher than the existing ones at our shipyard for the construction of large vessels or customized offshore engineering products. If we cannot obtain the requisite licenses, permits, authorizations or approvals, we may not be able to construct such new gantry cranes or may be ordered to remove any such existing facilities.

If PRC or international regulations applicable to the shipping industry become more stringent in the future or additional regulations or controls requiring the adoption of new construction requirements are introduced that we cannot satisfy in a cost efficient manner or we are unable to pass any additional costs resulting from these new requirements to our customers, our costs will increase. For example, the PRC has proposed new regulations on the Management of Production License for Shipbuilding, which, if implemented, will specify safety and environmental standards for shipbuilding and have cost implications for the shipbuilding industry. The Commission of Science Technology and Industry for National Defense issued the Guidelines on Increasing the Speed of the Building of Modern Shipbuilding Model, which requires the shipbuilding companies to build upgraded shipbuilding systems, which may increase costs for the shipbuilding industry. Any significant increase in cost due to changes in regulations in the shipbuilding industry may adversely affect our business, financial condition and results of operations.

**We may incur additional costs or spend extra construction time due to our compliance with the international rules and standards applicable to the shipbuilding industry such as the CSR and PSPC.**

Like many other major PRC and global shipbuilders, we are subject to various international rules and standards applicable to the shipbuilding industry, which include the recently adopted Common Structural Rule and Performance Standard for Protective Coatings. On December 14, 2005, the Council of the International Association of Classification Societies adopted the Common Structural Rules for Tankers and Bulk Carriers for implementation on April 1, 2006. The CSR constitutes a single set of global classification standards for shipbuilding, which are intended to make new ships stronger and safer. Under the CSR, a minimum fatigue life of 25 years in the North Atlantic is applied to a new vessel and thus the CSR normally requires changes of hull scantlings and steel distribution in the vessel and more attention to the vessel's structural details. The CSR introduces a net scantling approach to ship design and construction and the material required for the strength of the vessel. It further requires additional specified thickness to account for corrosion as the vessel is operated and steel must be replaced to the original thickness if the vessel corrodes to the point where this additional thickness is lost. The CSR applies to double-hull oil tankers of 150 meters in length and above, and to single-side-skin and double-side-skin bulk carriers of 90 meters in length or above, constructed generally with hopper and topside tanks and hybrid bulk carriers where at least one cargo hold is constructed with hopper and topside tanks. As a number of our vessels fall into the categories governed by the CSR, we may incur additional costs due to our use of a larger amount of steel in building our vessels and adoption of more complex designs and more detailed construction plans for our vessels in meeting the CSR requirements. We may further need to spend more time to build our vessels due to the increased CSR requirements.

On December 8, 2006, the IMO adopted the new PSPC. The PSPC is intended to improve safety at sea by reducing the effects of corrosion in steel ships, and applies specifically to the protective coatings used for dedicated seawater ballast tanks in all types of ships of 500 gross tonnage and above and also in the double-side skin spaces of bulk carriers of 150 meters or more in length. The PSPC sets out detailed requirements for

improved procedures and better quality control via increased inspection requirements at all stages within the areas of surface preparation, coating application and coating quality. The PSPC applies to all shipbuilding contracts dated on or after July 1, 2008. It further applies to all keels laid from January 1, 2009 onwards and to all vessels delivered from January 1, 2012 onwards. The PSPC already applies to the ballast tanks and single-side-skin spaces of tankers and bulk carriers built in accordance with the CSR since December 8, 2006, the date on which the PSPC standard was adopted. Our compliance with the PSPC may result in additional costs at the construction stage. In addition to the use of paint with specifications in compliance with the PSPC criteria, we further need to document the entire coating process from the raw steel plates to the final coating system. We must compile a coating technical file, which is to be kept on board and maintained throughout the life of the vessel. Our compliance with the PSPC may further result in extra construction time and slower throughput, a need to train more staff to carry out inspections and possible investments in new facilities and additional manpower.

If the cost increases or extra construction time arising from our compliance with international rules or standards have not been taken into account in our shipbuilding contracts or if they substantially exceed our estimates in existing fixed-price contracts, we may be unable to pass these costs on to or request additional construction time from our customers and our business, financial condition and results of operations may be adversely affected.

## **RISKS RELATING TO PRC GOVERNMENT REGULATIONS AND POLICIES**

### **Uncertainties with respect to the PRC legal system could have an adverse effect on our operations.**

PRC laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. For example, we may have to resort to administrative and judicial proceedings in order to enforce the legal protections that we enjoy either by law or contract. As PRC administrative and judicial authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcomes of administrative and judicial proceedings and the level of legal protections we enjoy. These uncertainties may impede our ability to enforce the contracts into which we have entered with our business partners, customers and suppliers. In addition, we cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all. Any failure to obtain such permits or authorizations may have an adverse effect on our financial condition and results of operations.

### **It may be difficult to effect service of process upon us or our Directors who reside in the PRC or to enforce against us or them judgments obtained from non-PRC courts.**

We are incorporated in the PRC. Most of our Directors are PRC residents. Almost all of our assets are located within the PRC. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC. On July 14, 2006, Hong Kong and mainland China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of this judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of this judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service or process against our assets or Directors in China in order to seek recognition and enforcement for foreign judgments in China.



**We are subject to environmental laws and regulations which may increase our cost of doing business.**

The operations of our PRC operating subsidiaries are subject to laws and regulations of the PRC relating to the protection of the environment and human health. These environmental laws and regulations impose limitations on the emission of noise and discharge of pollutants into the environment and establish standards for the generation, handling, storage, transportation, treatment and disposal of raw materials, hazardous waste and other materials. The government may impose significant fines or penalties for violations of these environmental laws and regulations. The production activities of our PRC operating subsidiaries may produce harmful emissions including volatile or noxious chemical compounds, metal waste, noise, odor and wastewater. They are required to obtain permits for discharging pollutants from the relevant environmental authorities in accordance with PRC law and such permits are subject to annual inspections at the end of every year. In addition, due to the rapid expansion of our business, our existing licenses, permits, authorizations or approvals may not match our growth and we may need to apply for new licenses, permits, authorizations or approvals. For example, we may not have the permission to discharge the increased amount of industrial waste water due to our increased manufacturing activities without obtaining new permits. If we fail to comply with these requirements or fail to obtain/renew such permits or pass any inspections (including but not limited to noise pollution checks, industrial discharge inspections) conducted by any relevant PRC authorities, we could be subject to fines or suspension of operations, which may adversely affect our business, financial condition and results of operations.

In addition, as certain of our products are exported to overseas markets, we are also subject to the environmental laws and regulations of various jurisdictions or international industry organizations. As awareness of environmental issues and protection increases, our business may be required to adapt to new laws and changes and any failure to comply with such laws and regulations may subject us to penalties and damage the reputation of our Group.

Some environmental laws impose joint and several strict liability for remediation of spills and releases of oil and hazardous substances. Under these laws and regulations, we could be liable for environmental damage regardless of negligence or fault on our part. As a result, these laws expose us to potential liability for the conduct of or conditions caused by others. In addition, environmental laws in the PRC are subject to change. We are unable to predict the future costs or other future effects of environmental laws on the operations of our PRC operating subsidiaries. In addition, any changes in environmental or other laws affecting our business may further increase our costs, which may adversely affect our business, financial condition and results of operations.

**Our operations and financial performance could be adversely affected by labor shortage, increase in labor costs and changes to the PRC labor-related law and regulations.**

The current PRC Labor Contract Law imposes significant liabilities on employers and has significantly increased the cost of an employer's decision to reduce its workforce. Further it requires certain terminations to be based upon seniority instead of merit. In the event that we decide to significantly change or decrease our workforce, the PRC Labor Contract Law could adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labor-related regulations after the promulgation of the PRC Labor Contract Law. Among other things, the paid annual leave provisions require that the paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions.

In addition, China promulgated the PRC Social Insurance Law in July 2011. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labor protection, our labor costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labor disputes or governmental investigation. If we are deemed in violation of such labor law and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected.

**The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.**

Our business is subject to general economic and social conditions in the PRC, in particular, in regions where our production bases are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and in April 2013, another earthquake and aftershocks hit Sichuan province again, both resulting in tremendous loss of lives, injury and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. In April 2013, there were reports of cases of H7N9 avian flu in southeast China, including deaths in Shanghai and Jiangsu, Zhejiang and Anhui provinces. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

#### **RISKS RELATING TO THE BONDS, THE STANDBY LETTERS OF CREDIT AND THE KEEPWELL DEEDS**

**The Issuers are newly incorporated companies with no material assets and will rely on remittances from the Company and our subsidiaries to make payments under the Bonds.**

The Issuers are set up by us as special purpose vehicles for the issuance of Bonds with no significant operations or assets and rely on us for cash to satisfy its payment obligations under the Bonds. As such, the ability of each of the USD Issuer and the Euro Issuer to make payments under the Bonds they have each issued will depend on its receipt of timely remittances from our Company and our subsidiaries.

**The Keepwell Deeds do not guarantee the payment obligations under the Bonds, and enforcement of the Keepwell Deeds in the PRC may be subject to procedural difficulties.**

The Company will execute a USD Keepwell Deed for the USD Bonds and a Euro Keepwell Deed for the Euro Bonds, respectively, with the Trustee and, as applicable, the USD Issuer or the Euro Issuer, according to which it will undertake, among other things, to ensure that the relevant Issuer has sufficient liquidity to ensure timely payment of any amounts payable under the Bonds in accordance with their terms of payment as and when due. Please see “Description of the Keepwell Deeds” for further information. Neither the Keepwell Deeds nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligations under the Bonds. Accordingly, in the event of a payment default on the part of either Issuer, the Company will only be obliged to make sufficient funds available to that Issuer, rather than jointly or severally to assume the payment obligation, as in the case of a guarantee. In addition, the holders of the Bonds will be subject to the conditions provided in the Trust Deed for any actions to be taken against the Company to enforce the Keepwell Deeds. Furthermore, even if the Company intends to perform its respective obligations under the Keepwell Deeds, depending on the manner in which the Company performs its obligations under the Keepwell Deeds so as to arrange sufficient funds for each Issuer to meet its payment obligations under the Bonds, such performance may be subject to the prior consents or approvals from relevant PRC governmental authorities, including SAFE. There is no guarantee that we will obtain such consents or approvals.

Furthermore, the rights of the holders of the Bonds to obtain any remedy, including specific performance, or to enforce the obligations of the Company under the Keepwell Deed, may be subject to procedural and practical difficulties. For example, if holders of the Bonds were to obtain a successful judgment against the Company under the Keepwell Deeds from an Hong Kong court, the judgment of the Hong Kong court would have to be enforced in the PRC, where substantially all of the Company’s assets are located.

**The Issuers' claims under the Keepwell Deeds may be structurally subordinated to existing and future liabilities and obligations of CSSC and will be structurally subordinated to all existing and future liabilities and obligations of CSSC's subsidiaries.**

As described above, under each Keepwell Deed, the Company will undertake with the Issuer party to that Keepwell Deed, among other things, to cause such Issuer to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Bonds. Payments could be remitted by the Company out of the PRC to such Issuer either as inter-company loans to, or capital increases in, such Issuer in order for such Issuer to meet its payment obligations under the Bonds. The ability of the Company to make such payments is subject to, among other things, its cash flow conditions, restrictions contained in its articles of association, applicable laws, restrictions contained in its debt instruments and claims by its creditors. Further, the Company derives part of its revenue from its subsidiaries. It thus may need to depend on dividends or interest and principal payments from its subsidiaries to satisfy its obligations, including its obligations under the Keepwell Deeds.

As a result, any claim by an Issuer against the Company in relation to the Keepwell Deed to which it is party will be effectively subordinated to existing and future claims of the secured creditors of the Company and, in the case of payment by the Company to such Issuer in the form of capital increases, also to the claims of the other creditors of the Company. Each Issuer's claims will be further effectively subordinated to all existing and future claims of the lenders, holders of debt securities and other creditors, including trade creditors, of the Company's subsidiaries (other than the Issuers), from which the Company derives a portion, though not a majority, of its revenue. In the event of an insolvency, bankruptcy, liquidation, reorganization, dissolution or winding-up of the business of the Company or any of the Company's subsidiaries (other than the Issuers), the creditors of the Company or the creditors of the Company's subsidiaries, as the case may be, generally will have the right to be paid in full before any distribution is made to the Company or to the Issuers.

**The ratings of the Bonds may be downgraded or withdrawn.**

The Bonds are expected to be rated A1 by Moody's. The ratings represent the opinion of the rating agencies and their assessment of the ability of the relevant Issuer, the LC Bank and the Company to perform their respective obligations under the Bonds, the Standby Letters of Credit and the Keepwell Deeds, and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold securities. The ratings can be lowered or withdrawn at any time. Neither the relevant Issuer nor the Company is obligated to inform holders of the Bonds if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Company's ability to access the debt capital markets.

**The insolvency laws of the British Virgin Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.**

As the Issuers are incorporated under the laws of the British Virgin Islands, and the Company and the LC Bank (be a branch of ICBC), are both incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuers, the Company or the LC Bank, even if brought in other jurisdictions, would likely involve insolvency laws of the British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

**A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds.**

The Bonds are new issues of securities for which there is currently no trading market. Although application has been made to the Hong Kong Stock Exchange for listing of the Bonds by way of debt issues to Professional Investors only as described in this offering circular, and we have made an application for the Euro Bonds to be admitted to the Official List of the Euronext Dublin (formerly known as Irish Stock Exchange, we cannot assure you that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange or the Official List of the Irish Stock Exchange, or that if listed, a liquid trading market will develop. None of the Managers is obligated to make a market in the Bonds, and if the Managers do so they may discontinue such market-making activity at any time without notice. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell

the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is your obligation to ensure that your offers and sales of the Bonds within the United States and other countries comply with applicable securities laws. Please see “Subscription and Sale.” We cannot predict whether an active trading market for the Bonds will develop or be sustained.

**Investors in the Bonds may be subject to foreign exchange risks.**

The USD Bonds are denominated and payable in U.S. dollars and the Euro Bonds are denominated and payable in Euro. An investor who measures investment returns by reference to a currency other than U.S. dollars or Euro, as the case may be, would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which we have no control. Depreciation of the U.S. dollars and/or Euro against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

**International financial markets and world economic conditions may adversely affect the market price of the Bonds.**

The market price of the Bonds may be adversely affected by the decline in the international financial markets and global economic conditions. The market for Chinese securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors’ reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

**Each Issuer may not be able to redeem the Bonds upon the due date for redemption thereof.**

Each Issuer may, at its option on the Make Whole Redemption Date (as defined in the Terms and Conditions of the Bonds) and at maturity will, be required to redeem all of the Bonds. If such an event were to occur, such Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem its Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The relevant Issuer’s failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Company’s or its subsidiaries’ other indebtedness.

**The liquidity and price of the Bonds following the offering may be volatile.**

The price and trading volume of the Bonds may be volatile. Factors such as variations in the Company’s consolidated revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rate fluctuations in prices for the securities of comparable companies, any adverse change in the credit rating, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds trade. There is no assurance that these developments will not occur in the future.

**If the Company or any of its subsidiaries, including the Issuers, is unable to comply with the restrictions and covenants in its respective debt agreements, or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the relevant debt to be accelerated.**

If an Issuer is unable to comply with the restrictions and covenants in its Bonds, or if the Company or any of its subsidiaries, including the Issuers, is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Company or its relevant subsidiary, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate

the agreements, as the case may be. Furthermore, some of our debt agreements, and the Bonds, contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the default by the Company or such subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that the assets and cash flows of the Company and its subsidiaries would be sufficient to repay in full all of their indebtedness, or that they would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to the Company or its subsidiaries.

**Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed, the Keepwell Deeds and the Standby Letters of Credit by the Trustee or less than all of the holders of the Bonds.**

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including those Bondholders who do not attend and vote at the relevant meeting and those Bondholders who vote in a manner contrary to the majority.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Trust Deed, the Keepwell Deeds or the Standby Letters of Credit (other than in respect of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Keepwell Deeds or the Standby Letters of Credit which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Bondholders, authorize or waive any proposed breach or breach of the Bonds, the Trust Deed, the Keepwell Deeds or the Standby Letters of Credit (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

**The USD Bonds and the Euro Bonds will initially be represented by two Global Certificates and holders of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System.**

The USD Bonds and the Euro Bonds will each initially be represented by a Global Certificate. Each such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a “Clearing System”). Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in each Global Certificate. While the USD Bonds and the Euro Bonds are each represented by a Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the USD Bonds and the Euro Bonds are each represented by a Global Certificate, the USD Issuer and the Euro Issuer (as applicable) will discharge its payment obligations under its Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their accountholders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Bonds. Neither the USD Issuer nor the Euro Issuer has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate issued by it. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds advanced by such Global Certificate. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

**The Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.**

In certain circumstances (including without limitation the giving of notice to the Issuers pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions of the Bonds and the taking of enforcement steps pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions of the Bonds), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The



Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Bonds) and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

**The LC Bank's ability to perform its obligations under the Standby Letters of Credit is subject to the financial condition of Industrial and Commercial Bank of China Limited ("ICBC"). ICBC and the LC Bank have not waived sovereign immunity and may accordingly dispute the Standby Letters of Credit on that basis.**

The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by ICBC, and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, ICBC would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit. Therefore, the ability of the LC Bank to make payments under the Standby Letter of Credit will depend on the financial condition of ICBC, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

*Impaired loans and advances:* ICBC's financial condition will be affected by its impaired loans. If ICBC is unable to control effectively and reduce the level of impaired loans and advances in its current loan portfolio and in new loans ICBC extends in the future, or ICBC's allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, ICBC's financial condition could be materially and adversely affected.

*Collateral and guarantees:* A certain portion of ICBC's loans is secured by collateral and backed by guarantees. If ICBC is unable to realize the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, ICBC's financial condition could be materially and adversely affected.

*Loans to real estate sector and government financing platforms:* ICBC's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, ICBC's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of ICBC. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

In addition, as neither ICBC nor the LC Bank has waived sovereign immunity for the purpose of the Standby Letters of Credit, it is possible that such immunity is asserted at the time of enforcement of the Standby Letters of Credit.

**Interest paid on the Bonds might be subject to VAT and relevant local levies, and as a result, the Issuers might be obligated to withhold the VAT.**

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知), or Circular 36, which was promulgated by the MOF and the SAT on March 23, 2016 and came into effect on May 1, 2016, VAT would be collected in lieu of business tax on a trial basis within the territory of the PRC where the entities or individuals provide services. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the loans refer to the activity of lending capital for another's use and receiving interest income thereon. Based on the definition of loans under Circular 36, the issuance of Bonds is likely to be treated as provision of loans by Bondholders to the Issuers, which could be regarded as the provision of financial services and subject to VAT. There can be no assurance that relevant PRC tax authorities will not treat the issuance of Bonds as the provision of financial services within the PRC. If the relevant PRC tax authorities treat the issuance of Bonds as the provision of financial services within the PRC, interest paid on the Bonds might be subject to PRC VAT and the relevant local levies at a rate of 6.72% as of the date of this offering circular. As the Issuers may be obliged to withhold the VAT and at the same time,

pay an additional amount so that the relevant Bondholders receive the full amount of interest free from any such withholding, which may increase the Group's costs for the issuance of Bonds.

### **The Bonds may not be a suitable investment for all investors**

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this offering circular, any applicable supplement to this offering circular or any pricing supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;
- understand thoroughly the terms of the relevant Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

### **RISKS RELATING TO TAXATION**

*The following is a summary of certain tax related risk factors. The following risk factors do not purport to be a complete explanation of all of the tax related risks that relate to the purchase, ownership and disposition of Bonds. Notwithstanding, any potential purchaser of Bonds should note the risk that the Issuers may be deemed to be a tax resident in PRC which, if it were to occur, may result in, inter alia, PRC withholding tax being imposed on payments made to Bondholders and/or PRC taxes being imposed on any gains realised as a result of any disposal or other transfer of the Bonds. In such circumstances, the value of the relevant Bondholder's investment may be materially and adversely affected. For further information, see the "Taxation" section below.*

#### **The Issuers may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes may be applicable.**

Under the new PRC Enterprise Income Tax Law (the "EIT Law") and the implementation rules which both took effect on January 1, 2008 and further amended on February 24, 2017, enterprises established outside the PRC whose "**de facto management bodies**" are located in China are considered "**resident enterprises**" for PRC tax purposes.

The implementation rules define the term "**de facto management body**" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of



an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the “**de facto management bodies**” for foreign enterprises that are controlled by PRC enterprises.

Most of its directors and senior management are currently based inside China and it may keep its books of account inside China. The above elements may be relevant for the tax authorities to determine whether the USD Issuer or the Euro Issuer is a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination and, consequently, it is unclear under PRC tax law whether the either or both of the Issuers has a “**de facto management body**” located in China for PRC tax purposes. As at the date of this Offering Circular, the Issuers have not been notified or informed by the PRC tax authorities that they are considered a PRC tax resident enterprise for the purposes of the EIT Law. There is no assurance, however, that the Issuers will not be treated as a PRC tax resident enterprise in the future.

If either or both of the Issuers is deemed to be a PRC resident enterprise for EIT purposes, the relevant Issuer or both Issuers, as the case may be, would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide taxable income. Furthermore, the relevant Issuer or both Issuers, as the case may be, may be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the relevant Bonds to investors that are Hong Kong resident enterprises or 10% on payments of interest and other amounts on the Bonds to investors that are not Hong Kong resident enterprises, provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the relevant Issuer or both Issuers, as the case may be, fail to do so, it or they may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investors from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10% PRC withholding tax.

Furthermore, if an Issuer is treated as a PRC “**resident enterprise**,” the interest that Issuer pays in respect of the Bonds, and the gain any investor may realise from the transfer of the Bonds, may be treated as income derived from sources within the PRC and may be subject to PRC tax (including withholding tax in the case of interest). If an Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to that Issuer’s foreign shareholders who are “non-resident enterprises”, that Issuer will be required to pay such additional amounts as will result in receipt by a holder of its Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on such Bonds, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, such Bonds, as well as its profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of the Bonds, the value of your investment in the Bonds may be materially and adversely affected. It is unclear whether, if either Issuer is considered a PRC “**resident enterprise**,” holders of the Bonds might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

As set out in Condition 6 (*Redemption and Purchase*) of the Terms and Conditions of the Bonds, in the event that as a result of a change in PRC tax law such that such PRC deduction or withholding is in excess of 10%, and the relevant Issuer is required to pay additional amounts as a result of certain changes in, or interpretations of, tax law, including any change or interpretation that results in that Issuer being required to withhold tax on interest payments as a result of its being treated as a PRC “**resident enterprise**”, that Issuer may redeem its Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest and any additional amounts.

**The Issuers may elect to redeem the Bonds in whole, but not in part, if it is required to pay additional tax amounts in respect of PRC withholding tax, and a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.**

As of the date of this offering circular, the Issuers have not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, it is unclear whether the Issuers will be treated as a PRC tax resident enterprise for the purposes of the EIT Law in the future. If an Issuer is treated as a PRC tax resident enterprise and is required to withhold tax from interest payments on the Bonds, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding been required. As described under Condition 6 of the Conditions, if the Issuer is required to pay additional tax amounts as a result of any change in or amendment to, or any change in the application or official interpretation of, the laws or regulations of a relevant jurisdiction (including any change or amendment or change

in the interpretation that requires the Issuer to withhold tax as a result of it being treated as a PRC tax resident enterprise), the Issuer may redeem the Bonds in whole, but not in part, at a redemption price equal to 100 per cent. of the principal amount together with unpaid interest accrued to the date fixed for redemption. The date on which the Issuer elects to redeem the Bonds may not accord with the preference of particular Bondholders. In addition, a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.

## TERMS AND CONDITIONS OF THE USD BONDS

*The following, subject to modifications and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.*

The issue of the US\$485,000,000 in aggregate principal amount of 4.125%. Credit Enhanced Bonds due 2021 (the “Bonds” which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorized by a resolution of the board of directors of CSSC Capital One Limited (the “Issuer”) passed on September 7, 2018. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “Trust Deed”) dated September 27, 2018 (the “Issue Date”) and made between the Issuer, China State Shipbuilding Corporation Limited (the “Company”) and Bank of Communications Trustee Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. The Bonds are the subject of an agency agreement (as amended and/or supplemented from time to time, the “Agency Agreement”) dated the Issue Date and made between the Issuer, the Company, the Trustee, Industrial and Commercial Bank of China (Asia) Limited as registrar (the “Registrar”), as transfer agent (the “Transfer Agent”), as initial principal paying agent (the “Principal Paying Agent”) and as the account bank (the “Pre-funding Account Bank”) where the Pre-funding Account (as defined below) is held and Bank of Communications Co., Ltd. Hong Kong Branch as the account bank (the “LC Proceeds Account Bank”) where the LC Proceeds Account (as defined below) is held. References herein to “Agents” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds will have the benefit of an irrevocable standby letter of credit (the “Standby Letter of Credit”) to be dated on or about the Issue Date issued by Industrial and Commercial Bank of China Limited, Shanghai Branch (the “LC Bank”). The Bonds also have the benefit of a keepwell deed (as amended and/or supplemented from time to time, the “Keepwell Deed”) dated the Issue Date entered into by the Company, the Issuer and the Trustee and executed in favour of the Trustee. The entering into the Keepwell Deed was authorized by resolutions of the board of directors of the Issuer on September 7, 2018 and by the resolutions of the board of directors of the Company on April 24, 2018. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Standby Letter of Credit and of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Keepwell Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection by Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m.) at the principal place of business of the Trustee (being at the Issue Date at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent following written request and provision of proof of holding satisfactory to the Trustee or, as the case may be, the Principal Paying Agent.

All capitalized terms that are not defined in these terms and conditions (the “Conditions”) will have the meanings given to them in the Trust Deed.

### **1 Form, Specified Denomination and Title**

The Bonds are issued in the specified denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

The Bonds are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder. Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. The holder of any Bond will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

*Upon issue, the Bonds will be evidenced by a global certificate (the “Global Certificate”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A., and will be exchangeable for individual Bond Certificates only in the circumstances set out therein. For so long as the Bonds are represented by the Global Certificate, the Conditions are modified by certain provisions contained in the Global Certificate.*

*Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

In these Conditions, “Bondholder” or, in relation to a Bond, “holder” means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

## **2 Transfers of Bonds**

### ***(a) Register***

The Issuer will cause the register (the “Register”) to be kept at the specified office of the Registrar outside of the United Kingdom and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

### ***(b) Transfer***

Subject to the Agency Agreement and Conditions 2(e) and 2(f) herein, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed by the Holder or his attorney duly authorized in writing, to the specified office of the Registrar or any Transfer Agent. No transfer of title to a Bond will be valid unless and until entered on the Register.

### ***(c) Delivery of New Certificates***

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2, “business day” means a day, other than a Saturday, Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

### ***(d) Formalities Free of Charge***

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant holder of any and all tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant Transfer Agent may require); and (ii) subject to Condition 2(f).

### ***(e) Closed Periods***

No holder may require the transfer of a Bond to be registered (i) during the period of seven business days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond, and (ii) during the period of seven business days ending on (and including) any Record Date (as defined in Condition 7(a)), (iii) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Conditions 6(b) and 6(c), or (iv) after any such Bond has been put for redemption pursuant to Condition 6(d).

### ***(f) Regulations***

All transfers of Bonds and entries on the register of holders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holders) by the Registrar to any holder who requests one in writing and provides proof of holding satisfactory to the Registrar.

### **3 Status and Standby Letter of Credit and Pre-funding**

#### **(a) Status**

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and regulations and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

#### **(b) Standby Letter of Credit and Pre-funding**

The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit both on behalf of the holders of the Bonds and for its own account upon the presentation of a demand by authenticated SWIFT sent by the Trustee to the LC Bank to the effect that (i) the Issuer has failed to comply with this Condition 3(b) in relation to pre-funding an amount that is payable under these Conditions or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees, costs, expenses, indemnity payments and/or other amounts in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

Each drawing on the Standby Letter of Credit will be payable in US dollars to or to the order of the Trustee at the time and to the account specified in the demand presented to the LC Bank. Payment received in respect of a demand will be deposited into the LC Proceeds Account.

Every payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds or the Trust Deed shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds or the Trust Deed.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in US dollars and shall not exceed US\$550,000,000 (subject to the terms of the Standby Letter of Credit). The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on October 27, 2021.

In order to provide for the payment of any amount in respect of the Bonds (the "Relevant Amount") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day (the "Pre-funding Date") falling ten Business Days prior to the due date for such payment under these Conditions:

- (I) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and
- (II) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any one Director of the Issuer who is also an Authorized Signatory (as defined in the Trust Deed) of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which has been paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "Required Confirmations").

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, the Trustee shall as soon as practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full and/or provide the Required Confirmations in accordance with these Conditions and shall by no later than 11:00 a.m. (Hong Kong time) on the second Business Day following the Pre-funding Date issue a demand notice to the LC Bank for the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account) in accordance with the Standby Letter of Credit (each a "Demand"), *provided that* the Trustee need not physically present the Standby Letter of Credit to the LC Bank and shall be entitled to submit a Demand by authenticated SWIFT. After receipt by the LC Bank of such Demand, the LC Bank shall by 11:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (Hong Kong time) on a Business Day, the fifth Business Day after such Business Day), pay to or to the order of the Trustee the amount in US dollars specified in the Demand to the LC Proceeds Account.

For the purposes of these Conditions:

"Business Day" means a day, other than a Saturday or a Sunday or a public holiday, on which banks are open for business in Hong Kong and New York City;

"LC Proceeds Account" means a non-interest-bearing US dollar denominated account established in the name of the Trustee with the LC Proceeds Account Bank;

"Pre-funding Account" means a non-interest-bearing US dollar denominated account established in the name of the Issuer with the Pre-funding Account Bank; and

"Payment and Solvency Certificate" means a certificate signed by any one Director of the Issuer who is also an Authorized Signatory (as defined in the Trust Deed) of the Issuer stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (a) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 3(b) and (b) the Issuer is solvent, in substantially the form set forth in the Agency Agreement.

#### **4 Covenants**

The Issuer undertakes, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (a) it will not conduct any business or any activities other than the issue of the Bonds and the lending of the proceeds thereof to any of the Company's Subsidiaries and affiliates and any other activities reasonably incidental thereto;
- (b) it will maintain a rating on the Bonds by a Rating Agency;
- (c) it will (i) within 10 Registration Business Days after Issue Date (or with respect to any further issue pursuant to Condition 13, the issue date of such further issue) file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC and effective September 14, 2015 (the "NDRC Post-Issue Filing") and (ii) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time); and



- (d) it shall within 20 Registration Business Days after submission of the NDRC Post-Issue Filing, provide the Trustee with (i) a certificate in English substantially in the form scheduled to the Trust Deed by an Authorized Signatory (as defined in the Trust Deed) of the Issuer confirming the completion of the NDRC Post-Issue Filing and (ii) copies of the relevant documents (if any) evidencing due filing with the NDRC, each certified in English as true and complete copies of the originals by an Authorized Signatory (as defined in the Trust Deed) of the Issuer (the items specified in (i) and (ii) together, the “Registration Documents”).

In addition, the Issuer shall, within 5 Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, instruct the Principal Paying Agent to publish the notice from the Issuer substantially in the form scheduled to the Trust Deed to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-Issue Filing.

The Trustee shall have no obligation to monitor or ensure the filing or completion of the NDRC Post-Issue Filing is made on or before the deadline referred to above or as otherwise required by Condition 4(c) or to assist with the NDRC Post-Issue Filing or to verify the accuracy, validity and/or genuineness of any Registration Documents or any other certificate, confirmation or other document in relation to or in connection with the NDRC Post-Issue Filing or to give notice to the Bondholders confirming the submission of the NDRC Post-Issue Filing, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

In these Conditions:

- (A) “NDRC” means the National Development and Reform Commission of the PRC or its local counterpart;
- (B) “PRC” means the People’s Republic of China, which shall for the purposes of these Conditions, exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- (C) “Rating Agency” means (1) any of Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“Moody’s”); or (2) if Moody’s shall not make a rating of the Bonds publicly available, the Issuer shall select and substitute Moody’s with Fitch Ratings or Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. and their respective successors or any other reputable credit rating agency of international standing;
- (D) “Registration Business Day” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing and the PRC; and
- (E) “Subsidiary” in relation to the Issuer or the Company means any entity whose financial statements at any time are required by law or in accordance with the generally accepted accounting principles of the PRC to be fully consolidated with those of the Issuer or the Company (as the case may be).

## **5 Interest**

The Bonds bear interest on their outstanding principal amount from and on Issue Date at the rate of 4.125% per annum, payable semi-annually in arrear in equal instalments on March 27 and September 27 in each year (each, an “Interest Payment Date”) commencing March 27, 2019. Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete interest period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Interest in respect of any Bond shall be calculated per US\$1,000 in principal amount of the Bonds (the “Calculation Amount”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

## **6 Redemption and Purchase**

### ***(a) Final Redemption***

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on September 27, 2021 (the “Maturity Date”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

### ***(b) Redemption for Taxation Reasons***

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “Tax Redemption Notice”) to the Bondholders in accordance with Condition 16 (which such notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount together with interest accrued to but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice (i) that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after September 19, 2018, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate signed by any one Director of the Issuer who is also an Authorized Signatory (as defined in the Trust Deed) of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments and opinion. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders.

### ***(c) Make Whole Redemption***

The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days’ notice to the Bondholders in accordance with Condition 16 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable (subject to the proviso below)) (a “Make Whole Redemption Notice”), at a redemption price equal to their Make Whole Amount together with interest accrued to but excluding the date fixed for redemption (collectively, the “Make Whole Redemption Price”); *provided that*, the Issuer shall (i) on or before 10:00 a.m. (Hong Kong time) on the second Business Day immediately preceding such redemption date, unconditionally pay or procure to be paid the Make Whole Redemption Price in full into the Pre-funding Account and (ii) prior to giving such Make Whole Redemption Notice, deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Redemption and Solvency Certificate signed by any one Director of the Issuer who is also an Authorized Signatory (as defined in the Trust Deed) of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay in full, from the Pre-funding Account, the Make Whole Redemption Price to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding such redemption date (together, the “Make Whole Redemption Confirmations”).

If the Make Whole Redemption Price is not received in full by the Principal Paying Agent on or before the Business Day immediately preceding such redemption date, the Issuer's exercise of its right to redeem the Bonds under this Condition 6(c) and such Make Whole Redemption Notice shall be immediately and automatically cancelled forthwith and shall cease to have any further effect. Nothing herein shall prejudice the Issuer's right to issue a new Make Whole Redemption Notice at any time after such cancellation.

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

In this Condition 6(c):

- (A) "Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for immediately preceding week, appearing in the most recently published statistical release designated "H. 15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after September 27, 2018 yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.
- (B) "Comparable Treasury Issue" means the United States Treasury security selected by the Independent Investment Bank as having a maturity comparable to the then remaining term of the Bonds, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date;
- (C) "Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by an Independent Investment Bank, Reference Treasury Dealer Quotations;
- (D) "Independent Investment Bank" means an independent investment bank of international repute, appointed by (and at the cost of) the Issuer (and notice thereof is given to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent by the Issuer) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;
- (E) "Make Whole Amount" means, in respect of each Bond at the relevant date fixed for redemption, the greater of (i) the principal amount of such Bond and (ii) the present value at such redemption date of (A) the principal amount of such Bond on the Maturity Date, plus (B) all required remaining scheduled interest payments due on such Bond through the Maturity Date (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points (all as determined by the Independent Investment Bank);
- (F) "Make Whole Determination Business Day" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Hong Kong and New York;
- (G) "Redemption and Solvency Certificate" means a certificate, in substantially the form set forth in the Trust Deed, stating the aggregate Make Whole Redemption Price in respect of the relevant date fixed for redemption of the Bonds and confirming that (i) a payment of the aggregate Make Whole Redemption Price will be made by or on behalf of the Issuer to the Pre-funding Account in accordance with this Condition 6(c) and (ii) the Issuer is solvent, in substantially the form set out in the Agency Agreement;
- (H) "Reference Treasury Dealer" means each of the four nationally recognized investment banking firms selected by the Independent Investment Bank that are primary U.S. Government securities dealers; and

- (I) “Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for the Bonds, the average, as determined by the Independent Investment Bank, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Independent Investment Bank by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third Make Whole Determination Business Day immediately preceding the issue of the Make Whole Redemption Notice.

*(d) Redemption for Change of Control*

At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of that holder’s Bonds on the Change of Control Put Date at a price equal to 100% of their principal amount, together with accrued interest to but excluding the Change of Control Put Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a “Change of Control Put Exercise Notice”), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The “Change of Control Put Date” shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 6(d).

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Bondholders (in accordance with Condition 16) and the Trustee and the Principal Paying Agent by not later than 14 Business Days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(d).

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be liable to any person for not doing so.

For the purposes of these Conditions:

- (A) a “Change of Control” occurs when (i) the Company ceases to directly or indirectly own and control all of the issued share capital of the Issuer; (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any person or persons, acting together, other than any of its Subsidiaries; except as required by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (“SASAC”) or its successor or entities controlled (directly or indirectly) by SASAC or any person directly or indirectly controlled by the central government of the PRC; or (iii) other than SASAC or its successor or entities controlled (directly or indirectly) by SASAC or any Person directly or indirectly controlled by the central government of the PRC, any Person or Persons, acting as a group, acquires Control directly or indirectly or in combination (through Subsidiaries) of the Company.
- (B) “Control” means (i) the ownership, acquisition or control of more than 50% of the voting rights of the issued share capital of the Company; (ii) the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person and the term “controlled” has the meaning correlative to the foregoing; and
- (C) a “Person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of state (in each case whether or not being a separate legal entity).

***(e) Clean-up Call***

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 45 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with accrued interest to but excluding the date fixed for redemption, if immediately before giving such notice, at least 90% in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 13) has already been previously redeemed, or repurchased and cancelled.

***(f) Purchase***

The Company, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Company, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of, amongst other things, calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 14.

***(g) Cancellation***

All Certificates representing Bonds purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

**7 Payments**

***(a) Method of Payment***

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).
- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the "Record Date"). Payments of interest on each Bond shall be made in US dollars by cheque drawn on a bank and mailed (at the expense of the Issuer) to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Paying Agent before the Record Date, or at the option of the relevant Agent, such payment of interest may be made by transfer to an account in US dollars maintained by the payee with a bank. In this Condition 7(a)(ii), "business day" means a day, other than a Saturday, a Sunday or a public holiday, on which each of the Registrar and the Principal Paying Agent is open for business in the place of its specified office.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*



***(b) Payments subject to Fiscal Laws***

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

***(c) Payment Initiation***

Where payment is to be made by transfer to an account in US dollars, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed (at the expense of the Issuer), on the due date or, if that is not a Payment Business Day, on the first following day which is a Payment Business Day or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

***(d) Agents***

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case as approved in writing by the Trustee.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to the Bondholders.

***(e) Delay in Payment***

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.

***(f) Non-Payment Business Days***

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “Payment Business Day” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, New York and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in US dollars, the place on which foreign exchange transactions may be carried on in US dollars in the principal financial centre of the country of such currency.

**8 Taxation**

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands, Hong Kong or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.



Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on September 19, 2018 (the “Applicable Rate”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding in excess of the Applicable Rate or any British Virgin Islands or Hong Kong deduction or withholding is required, the Issuer shall pay such additional amounts (“Additional Tax Amounts”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (a) *Other Connection*: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands, Hong Kong or the PRC other than the mere holding of the Bond; or
- (b) *Surrender more than 30 days after the Relevant Date*: in respect of which the Certificate representing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or
- (c) *Treasury regulations*: with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the US Internal Revenue Code and the U.S. Treasury regulations, thereunder (“FATCA”), any intergovernmental agreement between the United States and any other jurisdiction implementing, or relating to, FATCA or any law or regulation enacted or issued in any jurisdiction with respect thereto; or
- (d) *Lawful avoidance of withholding*: to a holder, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate representing the Note is presented for payment.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

“Relevant Date” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, *provided that* payment is in fact made upon such surrender.

## **9 Events of Default**

If an Event of Default (as defined below) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25% of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (*provided that* the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest. An “Event of Default” occurs if:

### **(A) With respect to the Issuer and the Company**

- (a) *Non-Payment*: there has been a failure to pay the principal of or interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of 15 days; or

- (b) *Breach of Other Obligations*: the Issuer or the Company defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed or the Keepwell Deed and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) being a default which is in the opinion of the Trustee capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Company, as the case may be; *provided that* if there has been a breach by the Issuer of its obligation to pre-fund any amount in respect of the Bonds in accordance with Condition 3 and such amount has subsequently been paid by the LC Bank following a drawing under the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 9(A)(b); or
- (c) *Cross-Default*: (i) any other present or future indebtedness of the Issuer, the Company or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised *provided that* the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the event mentioned above in this Condition 9(A)(c) have occurred equals or exceeds US\$30,000,000 or its equivalent; or
- (d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer the Company or any Material Subsidiary and such process is not withdrawn within 30 calendar days; or
- (e) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Company or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 calendar days; or
- (f) *Insolvency*: the Issuer or the Company or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts as they fall due, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Company or any Material Subsidiary; or
- (g) *Winding-up*: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Company or any Material Subsidiary (except for a members' voluntary solvent winding-up of any Material Subsidiary), or the Issuer or the Company or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganization, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of any Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer or the Company (as the case may be) or another of their respective Subsidiaries; or
- (h) *Nationalization*: any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of all or a substantial part of the assets of the Issuer or any of the Material Subsidiary *provided that* the value of the assets subject to the seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50% of the total assets of the Group; or

- (i) *Authorization and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Keepwell Deed (other than with regard to the performance of and compliance with the obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Keepwell Deed admissible in evidence in the courts of England or the courts of Hong Kong (in respect of the Keepwell Deed) is not taken, fulfilled or done; or
- (j) *Illegality*: it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of their respective obligations under any of the Bonds or the Trust Deed or the Keepwell Deed; or
- (k) *Standby Letter of Credit*: the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or
- (l) *Keepwell Deed*: the Keepwell Deed is not (or is claimed by the Company to not be) enforceable, valid or in full force and effect or the Keepwell Deed is modified, amended or terminated other than strictly in accordance with its terms or these Conditions; or
- (m) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(A)(d), 9(A)(e), 9(A)(f) or 9(A)(g).

**(B) With respect to the LC Bank**

- (a) *Cross-Default*:
  - (i) any other present or future Public External Indebtedness of the LC Bank or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof; or
  - (ii) any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period,

*provided that* the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(B)(a) have occurred equals or exceeds US\$30,000,000 or its equivalent (on the basis of the mid-spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(B)(a) operates); or
- (b) *Insolvency*: the LC Bank or any of its LC Bank Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the LC Bank or any of its LC Bank Material Subsidiaries; or
- (c) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the LC Bank or any of its LC Bank Material Subsidiaries, or the LC Bank or any of its LC Bank Material Subsidiaries ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a LC Bank Material Subsidiary, whereby the undertaking and assets of the LC Bank Material Subsidiary are transferred to or otherwise vested in the LC Bank or another of its Subsidiaries; or

- (d) *Illegality*: it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit, and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 60 days such that the LC Bank may lawfully perform such obligations; or
- (e) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(B)(b) to 9(B)(d) (both inclusive).

In this Condition 9:

“LC Bank Material Subsidiary” means a Subsidiary of the LC Bank whose total assets or total revenue (consolidated in the case of a Subsidiary which itself has subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5% or more of the consolidated assets or consolidated revenue of the LC Bank as at such date or for such period. If a LC Bank Material Subsidiary transfers all of its assets and business to another Subsidiary of the LC Bank, the transferee shall become a LC Bank Material Subsidiary and the transferor shall cease to be a LC Bank Material Subsidiary on completion of such transfer;

“Group” means the Issuer, the Company and their Subsidiaries taken as a whole;

“Material Subsidiary” means any Subsidiary of the Company or the Issuer whose total amount of net profits, gross assets or revenue (excluding intra-group items) represents 5% or more of the net profits, gross assets or revenue of the Group calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group, *provided* that none of Shanghai Shipyard Co., Ltd. (上海船廠船舶有限公司) or, for the avoidance of doubt, Guangzhou Wenchong Dockyard Co., Ltd. (廣州中船文沖船塢有限公司), or any of their respective Subsidiaries shall be deemed to be a Material Subsidiary of the Company.

A certificate signed by any two Directors of the Company each of whom is also an Authorized Signatory (as defined in the Trust Deed) of the Company confirming that a Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“Public External Indebtedness” means any indebtedness of the LC Bank or any Subsidiary of the LC Bank, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the PRC (for the purposes hereof not including the Hong Kong and Macau Special Administrative Regions or Taiwan) and is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days; and

“Subsidiary” in relation to the LC Bank means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the LC Bank.

## **10 Prescription**

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **11 Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **12 Meetings of Bondholders, Modification and Waiver**

### ***(a) Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Standby Letter of Credit or the Keepwell Deed. Such a meeting may be convened by the Issuer or the Trustee, and shall be convened by the Trustee if it receives a written request from Bondholders holding not less than 10% in aggregate principal amount of the Bonds for the time being outstanding and is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50% in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution (v) to modify or release the Standby Letter of Credit or (vi) to modify or terminate the Keepwell Deed, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by the holders of not less than 90% in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by one or more Bondholders.

Any duty derived from any principle of law or equity that would otherwise have the effect of requiring the holders of the Bonds to exercise their powers to vote for or against any Extraordinary Resolution or any other resolution contemplated by the Trust Deed or these Conditions for the benefit or in the interests of any group or class of holders as a whole and not merely individual holders is excluded to the fullest extent permitted by law.

### ***(b) Modification of the Conditions, Trust Deed, Agency Agreement Standby Letter of Credit and Keepwell Deed***

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or the Keepwell Deed that is, in its opinion, of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach or any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorization or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorization or waiver shall be notified by the Issuer, failing whom, the Company, to the Bondholders as soon as practicable. The Issuer shall notify as soon as possible the Rating Agency of any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed.



***(c) Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

***(d) Certificates and Reports***

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate from or any opinion or advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice, in which event, such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Company, the LC Bank and the Bondholders.

**13 Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for completing the NDRC Post-Issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13. However, such further securities may only be issued if (a) the Rating Agency has been informed of such issue; (b) such issue will not result in any change in the then credit rating of the Bonds; (c) a further or supplemental standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit is at least equal to the principal of and interest payments due on such further securities) and (d) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further or supplemental standby letter of credit.

**14 Enforcement**

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer, the Company or the LC Bank as it may think fit to enforce the terms of the Trust Deed, the Keepwell Deed and the Bonds and, where appropriate, to draw down on the Standby Letter of Credit, but it need not take any such actions and/or steps and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25% in principal amount of the Bonds outstanding, and (b) other than in the case of the making of a drawing under the Standby Letter of Credit, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer, the Company or the LC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

**15 Indemnification of the Trustee**

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses and other amounts in priority to the claims of the holders of the Bonds. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Company and/or the LC Bank and any entity related (directly or indirectly) to the Issuer or the Company or the LC Bank without accounting for any profit.



Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Keepwell Deed, the Standby Letter of Credit, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Company, the LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Company, the LC Bank and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Company, the LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Change of Control has occurred or to monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed, the Standby Letter of Credit or these Conditions.

## **16 Notices**

Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

*Until such time as any definitive certificates are issued and so long as the Global Certificate is held in its entirety on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A., any notice to the Bondholders shall (notwithstanding the preceding provisions of this Condition 16) be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and Clearstream Banking S.A., for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## **17 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

## **18 Governing Law and Jurisdiction**

### ***(a) Governing Law***

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Keepwell Deed shall be governed by and construed in accordance with Hong Kong law.

### ***(b) Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds ("Proceedings") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed and accordingly any legal action or proceedings arising out of or in connection with the Keepwell Deed (“KWD Proceedings”) may be brought in such courts. Pursuant to the Keepwell Deed, each of the Issuer and the Company has irrevocably submitted to the jurisdiction of such courts.

***(c) Agent for Service of Process***

Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably appointed Cogency Global (UK) Limited as their agent in England to receive service of process in any Proceedings in England based on any of the Bonds.

Pursuant to the Keepwell Deed, each of the Issuer and the Company has irrevocably appointed Cogency Global (HK) Limited as their agent in Hong Kong to receive service of process in any KWD Proceedings in Hong Kong.

## TERMS AND CONDITIONS OF THE EURO BONDS

*The following, subject to modifications and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.*

The issue of the €300,000,000 in aggregate principal amount of 1.75% Credit Enhanced Bonds due 2023 (the “Bonds” which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorized by a resolution of the board of directors of CSSC Capital Two Limited (the “Issuer”) passed on September 7, 2018. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “Trust Deed”) dated September 27, 2018 (the “Issue Date”) and made between the Issuer, China State Shipbuilding Corporation Limited (the “Company”) and Bank of Communications Trustee Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. The Bonds are the subject of an agency agreement (as amended and/or supplemented from time to time, the “Agency Agreement”) dated the Issue Date and made between the Issuer, the Company, the Trustee, Industrial and Commercial Bank of China (Asia) Limited as registrar (the “Registrar”), as transfer agent (the “Transfer Agent”), as initial principal paying agent (the “Principal Paying Agent”) and as the account bank (the “Pre-funding Account Bank”) where the Pre-funding Account (as defined below) is held and Bank of Communications Co., Ltd. Hong Kong Branch as the account bank (the “LC Proceeds Account Bank”) where the LC Proceeds Account (as defined below) is held. References herein to “Agents” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds will have the benefit of an irrevocable standby letter of credit (the “Standby Letter of Credit”) to be dated on or about the Issue Date issued by Industrial and Commercial Bank of China Limited, Shanghai Branch (the “LC Bank”). The Bonds also have the benefit of a keepwell deed (as amended and/or supplemented from time to time, the “Keepwell Deed”) dated the Issue Date entered into by the Company, the Issuer and the Trustee and executed in favour of the Trustee. The entering into the Keepwell Deed was authorized by resolutions of the board of directors of the Issuer on September 7, 2018 and by the resolutions of the board of directors of the Company on April 24, 2018. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Standby Letter of Credit and of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Keepwell Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection by Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m.) at the principal place of business of the Trustee (being at the Issue Date at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent following written request and provision of proof of holding satisfactory to the Trustee or, as the case may be, the Principal Paying Agent.

All capitalized terms that are not defined in these terms and conditions (these “Conditions”) will have the meanings given to them in the Trust Deed.

### **1 Form, Specified Denomination and Title**

The Bonds are issued in the specified denomination of €100,000 and integral multiples of €1,000 in excess thereof.

The Bonds are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder. Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. The holder of any Bond will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

*Upon issue, the Bonds will be evidenced by a global certificate (the “Global Certificate”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A., and will be exchangeable for individual Bond Certificates only in the circumstances set out therein. For so long as the Bonds are represented by the Global Certificate, the Conditions are modified by certain provisions contained in the Global Certificate.*

*Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

In these Conditions, “Bondholder” or, in relation to a Bond, “holder” means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

## **2 Transfers of Bonds**

### ***(a) Register***

The Issuer will cause the register (the “Register”) to be kept at the specified office of the Registrar outside of the United Kingdom and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

### ***(b) Transfer***

Subject to the Agency Agreement and Conditions 2(e) and 2(f) herein, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed by the Holder or his attorney duly authorized in writing, to the specified office of the Registrar or any Transfer Agent. No transfer of title to a Bond will be valid unless and until entered on the Register.

### ***(c) Delivery of New Certificates***

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2, “business day” means a day, other than a Saturday, Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

### ***(d) Formalities Free of Charge***

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant holder of any and all tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant Transfer Agent may require); and (ii) subject to Condition 2(f).

### ***(e) Closed Periods***

No holder may require the transfer of a Bond to be registered (i) during the period of seven business days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond, and (ii) during the period of seven business days ending on (and including) any Record Date (as defined in Condition 7(a)), (iii) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Conditions 6(b) and 6(c), or (iv) after any such Bond has been put for redemption pursuant to Condition 6(d).

**(f) Regulations**

All transfers of Bonds and entries on the register of holders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holders) by the Registrar to any holder who requests one in writing and provides proof of holding satisfactory to the Registrar.

**3 Status and Standby Letter of Credit and Pre-funding**

**(a) Status**

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and regulations and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

**(b) Standby Letter of Credit and Pre-funding**

The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit both on behalf of the holders of the Bonds and for its own account upon the presentation of a demand by authenticated SWIFT sent by the Trustee to the LC Bank to the effect that (i) the Issuer has failed to comply with this Condition 3(b) in relation to pre-funding an amount that is payable under these Conditions or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees costs, expenses, indemnity payments and/or other amounts in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

Each drawing on the Standby Letter of Credit will be payable in Euro to or to the order of the Trustee at the time and to the account specified in the demand presented to the LC Bank. Payment received in respect of a demand will be deposited into the LC Proceeds Account.

Every payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds or the Trust Deed shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds or the Trust Deed.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in Euro and shall not exceed €350,000,000 (subject to the terms of the Standby Letter of Credit). The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on October 27, 2023.

In order to provide for the payment of any amount in respect of the Bonds (the "Relevant Amount") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day (the "Pre-funding Date") falling ten Business Days prior to the due date for such payment under these Conditions:

- (I) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and
- (II) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any one Director of the Issuer who is also an Authorized Signatory (as defined in the Trust Deed) of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which has been paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "Required Confirmations").

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day

immediately following the Pre-funding Date, the Trustee shall as soon as practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full and/or provide the Required Confirmations in accordance with these Conditions and shall by no later than 11:00 a.m. (Hong Kong time) on the second Business Day following the Pre-funding Date issue a demand notice to the LC Bank for the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account) in accordance with the Standby Letter of Credit (each a "Demand"), provided that the Trustee need not physically present the Standby Letter of Credit to the LC Bank and shall be entitled to submit a Demand by authenticated SWIFT. After receipt by the LC Bank of such Demand, the LC Bank shall by 11:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (Hong Kong time) on a Business Day, the fifth Business Day after such Business Day), pay to or to the order of the Trustee the amount in Euro specified in the Demand to the LC Proceeds Account.

For the purposes of these Conditions:

"Business Day" means a day, other than a Saturday or a Sunday or a public holiday, on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System (which was launched on 19 November 2007, and any successor thereof) is operating and also on which banks are open for business in Hong Kong and London;

"LC Proceeds Account" means a non-interest-bearing Euro denominated account established in the name of the Trustee with the LC Proceeds Account Bank;

"Pre-funding Account" means a non-interest-bearing Euro denominated account established in the name of the Issuer with the Pre-funding Account Bank; and

"Payment and Solvency Certificate" means a certificate signed by any one Director of the Issuer who is also an Authorized Signatory (as defined in the Trust Deed) of the Issuer stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (a) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 3(b) and (b) the Issuer is solvent, in substantially the form set forth in the Agency Agreement.

### ***(c) Negative Interest***

Not less than seven Business Days prior to each Pre-funding Date (such date being the "Pre-Notification Date"), the Principal Paying Agent shall notify the Issuer and the Trustee in writing of (i) the Relevant Amount and (ii) the amount notified to it by the Pre-funding Account Bank, if any, as the amount of the charges which the Pre-funding Account Bank has calculated (based on the assumption that the Issuer pays the Relevant Amount in full into the Pre-funding Account on the Pre-funding Date) will be payable in respect of the Pre-funding Account for the period from such Pre-funding Date to the due date for payment of any amount on the Bonds (such period being the "Negative Interest Calculation Period" and the amount of such charges so notified for that Negative Interest Calculation Period being the "Negative Interest Charge Amount"). The Pre-funding Account Bank shall notify the amount of any Negative Interest Charge Amount referable to each Pre-funding Date to the Principal Paying Agent in sufficient time prior to the Pre-Notification Date so as to enable the Principal Paying Agent to give the notice to the Issuer contemplated by this paragraph.

The aggregate of the Relevant Amount and the Negative Interest Charge Amount referable to any Pre-funding Date is the "Aggregate Payment Amount" for that Pre-funding Date.



In the event that the Negative Interest Charge Amount notified by the Pre-funding Account Bank is greater than zero, the Issuer will increase the amount paid by it to the Pre-funding Account on the relevant Pre-funding Date under Condition 3(b), so that the amount received by the Pre-funding Account Bank in the Pre-funding Account shall be no less than the Aggregate Payment Amount.

In determining the amount paid into the Pre-funding Account by the Issuer on any Pre-funding Date for the purposes of calculating the amount to be the subject of a Demand under the Standby Letter of Credit, in the event that the Negative Interest Charge Amount notified by the Pre-funding Account Bank is greater than zero and the Issuer pays less than the Aggregate Payment Amount into the Pre-funding Account on such Pre-funding Date, an amount equal to the Negative Interest Charge Amount shall be deducted from the amount actually paid by the Issuer and the balance (the “Relevant Balance”) shall be treated for all purposes as the Relevant Amount paid into the Pre-funding Account on such Pre-funding Date and the Trustee shall be entitled to submit a Demand for any shortfall between the Aggregate Payment Amount and the Relevant Balance as contemplated under this Condition 3.

The Pre-funding Account Bank and the LC Proceeds Account Bank will not deduct more than an amount equal to the Negative Interest Charge Amount from the amounts standing to the credit of the Pre-funding Account and the LC Proceeds Account to pay any charges payable under this Condition 3 in respect of that Negative Interest Calculation Period. In the event that the actual charges payable under this Condition 3 in respect of that Negative Interest Calculation Period exceed the Negative Interest Charge Amount notified to the Issuer by the Principal Paying Agent in accordance with the procedures described in the paragraphs above, the Issuer shall pay such excess to the Pre-funding Account Bank and/or the LC Proceeds Account Bank on demand.

The Negative Interest Charge Amount paid by the Issuer as aforesaid may be applied to pay any charges payable to the Pre-funding Account Bank and the LC Proceeds Account Bank as contemplated in this Condition 3 and the Agency Agreement in respect of the Pre-funding Account and the LC Proceeds Account.

#### **4 Covenants**

The Issuer undertakes, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (a) it will not conduct any business or any activities other than the issue of the Bonds and the lending of the proceeds thereof to any of the Company’s Subsidiaries and affiliates and any other activities reasonably incidental thereto;
- (b) it will maintain a rating on the Bonds by a Rating Agency;
- (c) it will (i) within 10 Registration Business Days after Issue Date (or with respect to any further issue pursuant to Condition 13, the issue date of such further issue) file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC and effective September 14, 2015 (the “NDRC Post-Issue Filing”) and (ii) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time); and
- (d) it shall within 20 Registration Business Days after submission of the NDRC Post-Issue Filing, provide the Trustee with (i) a certificate in English substantially in the form scheduled to the Trust Deed by an Authorized Signatory (as defined in the Trust Deed) of the Issuer confirming the completion of the NDRC Post-Issue Filing and (ii) copies of the relevant documents (if any) evidencing due filing with the NDRC, each certified in English as true and complete copies of the originals by an Authorized Signatory (as defined in the Trust Deed) of the Issuer (the items specified in (i) and (ii) together, the “Registration Documents”).

In addition, the Issuer shall, within 5 Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, instruct the Principal Paying Agent to publish the notice from the Issuer substantially in the form scheduled to the Trust Deed to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-Issue Filing.

The Trustee shall have no obligation to monitor or ensure the filing or completion of the NDRC Post-Issue Filing is made on or before the deadline referred to above or as otherwise required by Condition 4(c)

or to assist with the NDRC Post-Issue Filing or to verify the accuracy, validity and/or genuineness of any Registration Documents or any other certificate, confirmation or other document in relation to or in connection with the NDRC Post-Issue Filing or to give notice to the Bondholders confirming the submission of the NDRC Post-Issue Filing, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

In these Conditions:

- (A) “NDRC” means the National Development and Reform Commission of the PRC or its local counterpart;
- (B) “PRC” means the People’s Republic of China, which shall for the purposes of these Conditions, exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- (C) “Rating Agency” means (1) any of Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“Moody’s”); or (2) if Moody’s shall not make a rating of the Bonds publicly available, the Issuer shall select and substitute Moody’s with Fitch Ratings or Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. and their respective successors or any other reputable credit rating agency of international standing;
- (D) “Registration Business Day” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing and the PRC; and
- (E) “Subsidiary” in relation to the Issuer or the Company means any entity whose financial statements at any time are required by law or in accordance with the generally accepted accounting principles of the PRC to be fully consolidated with those of the Issuer or the Company (as the case may be).

## **5 Interest**

The Bonds bear interest on their outstanding principal amount from and on Issue Date at the rate of 1.75% per annum, payable annually in arrear on September 27 in each year (each, an “Interest Payment Date”) commencing September 27, 2019. Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a full year, it shall be calculated on the basis of (i) the actual number of days in the period from and including the date from which interest begins to accrue (the “Accrual Date”) to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date (the “Day Count Fraction”).

Interest in respect of any Bond shall be calculated per €1,000 in principal amount of the Bonds (the “Calculation Amount”). The amount of interest payable per Calculation Amount for any period of less than a full year shall be equal to the product of the rate of interest specified above, the Calculation Amount and the Day Count Fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

## **6 Redemption and Purchase**

### ***(a) Final Redemption***

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on September 27, 2023 (the “Maturity Date”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

***(b) Redemption for Taxation Reasons***

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "Tax Redemption Notice") to the Bondholders in accordance with Condition 16 (which such notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount together with interest accrued to but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice (i) that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after September 19, 2018, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate signed by any one Director of the Issuer who is also an Authorized Signatory (as defined in the Trust Deed) of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments and opinion. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders.

***(c) Make Whole Redemption***

The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days' notice to the Bondholders in accordance with Condition 16 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable (subject to the proviso below)) (a "Make Whole Redemption Notice"), at a redemption price equal to their Make Whole Redemption Price; provided that, the Issuer shall (i) on or before 10:00 a.m. (Hong Kong time) on the second Business Day immediately preceding such redemption date, unconditionally pay or procure to be paid the Make Whole Redemption Price in full into the Pre-funding Account and (ii) prior to giving such Make Whole Redemption Notice, deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Redemption and Solvency Certificate signed by any one Director of the Issuer who is also an Authorized Signatory (as defined in the Trust Deed) of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay in full, from the Pre-funding Account, the Make Whole Redemption Price to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding such redemption date (together, the "Make Whole Redemption Confirmations").

If the Make Whole Redemption Price is not received in full by the Principal Paying Agent on or before the Business Day immediately preceding such redemption date, the Issuer's exercise of its right to redeem the Bonds under this Condition 6(c) and such Make Whole Redemption Notice shall be immediately and automatically cancelled forthwith and shall cease to have any further effect. Nothing herein shall prejudice the Issuer's right to issue a new Make Whole Redemption Notice at any time after such cancellation.

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

In this Condition 6(c):

- (A) "Independent Investment Bank" means an independent investment bank of international repute, appointed by (and at the cost of) the Issuer (and notice thereof is given to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent by the Issuer) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

- (B) “Make Whole Redemption Price” will be the greater of (x) 100% of the principal amount of the Bonds to be redeemed and (y) the sum of the then present values of the remaining scheduled payments of principal and interest on such Bonds (not including any interest accrued and unpaid on the Bonds) to, but excluding, the date fixed for redemption (the “Make Whole Redemption Date”) discounted to the Make Whole Redemption Date on an annual basis (Actual/Actual (ICMA)) at the Redemption Rate plus the Redemption Margin, plus in each case of both (x) or (y) above, any interest accrued and unpaid on such Bonds to, but excluding, the Make Whole Redemption Date. The Make Whole Redemption Price will be calculated by the Independent Investment Bank;
- (C) “Redemption and Solvency Certificate” means a certificate stating the aggregate Make Whole Redemption Price in respect of the relevant date fixed for redemption of the Bonds and confirming that (a) a payment of the aggregate Make Whole Redemption Price will be made by or on behalf of the Issuer to the Pre-funding Account in accordance with this Condition 6(c) and (b) the Issuer is solvent, in substantially the form set forth in the Agency Agreement;
- (D) “Redemption Margin” means 0.30% per annum;
- (E) “Redemption Rate” means the average of the four quotations given by the Reference Dealers of the mid-market annual yield to maturity of the Reference Security on the fourth business day in London preceding the Make Whole Redemption Date at 11:00 a.m. (Central European time (CET));
- (F) “Reference Dealers” means each of the four banks selected by the Independent Investment Bank which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues; and
- (G) “Reference Security” means an interest-bearing German government bund selected by the Independent Investment Bank as having an actual or interpolated maturity comparable with the remaining term of the Bonds, or if the Independent Investment Bank in its discretion considers that such similar security is not in issue, such other interest-bearing German government bund as the Independent Investment Bank may, with the advice of the Reference Dealers, determine to be appropriate for determining the Reference Rate.

***(d) Redemption for Change of Control***

At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of that holder’s Bonds on the Change of Control Put Date at a price equal to 100% of their principal amount, together with accrued interest to but excluding the Change of Control Put Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a “Change of Control Put Exercise Notice”), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The “Change of Control Put Date” shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 6(d).

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Bondholders (in accordance with Condition 16) and the Trustee and the Principal Paying Agent by not later than 14 Business Days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(d).

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be liable to any person for not doing so.

For the purposes of these Conditions:

a “Change of Control” occurs when (i) the Company ceases to directly or indirectly own and control all of the issued share capital of the Issuer; (ii) the Company consolidates with or merges into or sells or transfers

all or substantially all of the Company's assets to any person or persons, acting together, other than any of its Subsidiaries; except as required by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC") or its successor or entities controlled (directly or indirectly) by SASAC or any person directly or indirectly controlled by the central government of the PRC; or (iii) other than SASAC or its successor or entities controlled (directly or indirectly) by SASAC or any Person directly or indirectly controlled by the central government of the PRC, any Person or Persons, acting as a group, acquires Control directly or indirectly or in combination (through Subsidiaries) of the Company;

"Control" means (i) the ownership, acquisition or control of more than 50% of the voting rights of the issued share capital of the Company; (ii) the right to appoint and/or remove all or the majority of the members of the Company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person and the term "controlled" has the meaning correlative to the foregoing; and

a "Person" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of state (in each case whether or not being a separate legal entity).

***(e) Clean-up Call***

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 45 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with accrued interest to but excluding the date fixed for redemption, if immediately before giving such notice, at least 90% in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 13) has already been previously redeemed, or repurchased and cancelled.

***(f) Purchase***

The Company, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Company, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of, among other things, calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 14.

***(g) Cancellation***

All Certificates representing Bonds purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

**7 Payments**

***(a) Method of Payment***

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).



- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the “Record Date”). Payments of interest on each Bond shall be made in Euro by cheque drawn on a bank and mailed (at the expense of the Issuer) to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Paying Agent before the Record Date, or at the option of the relevant Agent, such payment of interest may be made by transfer to an account in Euro maintained by the payee with a bank. In this Condition 7(a)(ii), “business day” means a day, other than a Saturday, a Sunday or a public holiday, on which each of the Registrar and the Principal Paying Agent is open for business in the place of its specified office.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

**(b) Payments subject to Fiscal Laws**

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

**(c) Payment Initiation**

Where payment is to be made by transfer to an account in Euro, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed (at the expense of the Issuer), on the due date or, if that is not a Payment Business Day, on the first following day which is a Payment Business Day or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

**(d) Agents**

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case as approved in writing by the Trustee.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to the Bondholders.



***(e) Delay in Payment***

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.

***(f) Non-Payment Business Days***

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “Payment Business Day” means a day (other than a Saturday, a Sunday or a public holiday) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System (which was launched on 19 November 2007, and any successor thereof) is operating and banks and foreign exchange markets are open for business in Hong Kong and in the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in Euro.

**8 Taxation**

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands, Hong Kong or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on September 19, 2018 (the “Applicable Rate”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding in excess of the Applicable Rate or any British Virgin Islands or Hong Kong deduction or withholding is required, the Issuer shall pay such additional amounts (“Additional Tax Amounts”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (a) *Other Connection*: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands, Hong Kong or the PRC other than the mere holding of the Bond; or
- (b) *Surrender more than 30 days after the Relevant Date*: in respect of which the Certificate representing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or
- (c) *Treasury regulations*: with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the US Internal Revenue Code and the U.S. Treasury regulations, thereunder (“FATCA”), any intergovernmental agreement between the United States and any other jurisdiction implementing, or relating to, FATCA or any law or regulation enacted or issued in any jurisdiction with respect thereto; or
- (d) *Lawful avoidance of withholding*: to a holder, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate representing the Note is presented for payment.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

“Relevant Date” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, *provided that* payment is in fact made upon such surrender.

## **9 Events of Default**

If an Event of Default (as defined below) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25% of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (*provided that* the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest. An “Event of Default” occurs if:

### ***(A) With respect to the Issuer and the Company***

- (a) *Non-Payment*: there has been a failure to pay the principal of or interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of 15 days; or
- (b) *Breach of Other Obligations*: the Issuer or the Company defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed or the Keepwell Deed and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) being a default which is in the opinion of the Trustee capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Company, as the case may be; provided that if there has been a breach by the Issuer of its obligation to pre-fund any amount in respect of the Bonds in accordance with Condition 3 and such amount has subsequently been paid by the LC Bank following a drawing under the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 9(A)(b); or
- (c) *Cross-Default*: (i) any other present or future indebtedness of the Issuer, the Company or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the event mentioned above in this Condition 9(A)(c) have occurred equals or exceeds US\$30,000,000 or its equivalent; or
- (d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer the Company or any Material Subsidiary and such process is not withdrawn within 30 calendar days; or
- (e) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Company or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 calendar days; or

- (f) *Insolvency*: the Issuer or the Company or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts as they fall due, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Company or any Material Subsidiary; or
- (g) *Winding-up*: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Company or any Material Subsidiary (except for a members' voluntary solvent winding-up of any Material Subsidiary), or the Issuer or the Company or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganization, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of any Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer or the Company (as the case may be) or another of their respective Subsidiaries; or
- (h) *Nationalization*: any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of all or a substantial part of the assets of the Issuer or any Material Subsidiary provided that the value of the assets subject to the seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50% of the total assets of the Group; or
- (i) *Authorization and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Keepwell Deed (other than with regard to the performance of and compliance with the obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable, and (iii) to make the Bonds, the Trust Deed and the Keepwell Deed admissible in evidence in the courts of England or the courts of Hong Kong (in respect of the Keepwell Deed) is not taken, fulfilled or done; or
- (j) *Illegality*: it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of their respective obligations under any of the Bonds or the Trust Deed or the Keepwell Deed; or
- (k) *Standby Letter of Credit*: the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or
- (l) *Keepwell Deed*: the Keepwell Deed is not (or is claimed by the Company to not be) enforceable, valid or in full force and effect or the Keepwell Deed is modified, amended or terminated other than strictly in accordance with its terms or these Conditions; or
- (m) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(A)(d), 9(A)(e), 9(A)(f) or 9(A)(g).

**(B) With respect to the LC Bank**

- (a) *Cross-Default*:
  - (i) any other present or future Public External Indebtedness of the LC Bank or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof; or
  - (ii) any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period,

*provided that* the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(B)(a) have occurred equals or exceeds US\$30,000,000 or its equivalent (on the basis of the mid-spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(B)(a) operates); or

- (b) *Insolvency*: the LC Bank or any of its LC Bank Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the LC Bank or any of its LC Bank Material Subsidiaries; or
- (c) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the LC Bank or any of its LC Bank Material Subsidiaries, or the LC Bank or any of its LC Bank Material Subsidiaries ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a LC Bank Material Subsidiary, whereby the undertaking and assets of the LC Bank Material Subsidiary are transferred to or otherwise vested in the LC Bank or another of its Subsidiaries; or
- (d) *Illegality*: it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit, and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 60 days such that the LC Bank may lawfully perform such obligations; or
- (e) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(B)(b) to 9(B)(d) (both inclusive).

In this Condition 9:

“LC Bank Material Subsidiary” means a Subsidiary of the LC Bank whose total assets or total revenue (consolidated in the case of a Subsidiary which itself has subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5% or more of the consolidated assets or consolidated revenue of the LC Bank as at such date or for such period. If a LC Bank Material Subsidiary transfers all of its assets and business to another Subsidiary of the LC Bank, the transferee shall become a LC Bank Material Subsidiary and the transferor shall cease to be a LC Bank Material Subsidiary on completion of such transfer;

“Group” means the Issuer, the Company and their Subsidiaries taken as a whole;

“Material Subsidiary” means any Subsidiary of the Company or the Issuer whose total amount of net profits, gross assets or revenue (excluding intra-group items) represents 5% or more of the net profits, gross assets or revenue of the Group calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group, *provided that* none of Shanghai Shipyard Co., Ltd. (上海船廠船舶有限公司) or, for the avoidance of doubt, Guangzhou Wenchong Dockyard Co., Ltd. (廣州中船文沖船塢有限公司) or any of their respective Subsidiaries shall be deemed to be a Material Subsidiary of the Company.

A certificate signed by any two Directors of the Company each of whom is also an Authorized Signatory (as defined in the Trust Deed) of the Company confirming that a Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“Public External Indebtedness” means any indebtedness of the LC Bank or any Subsidiary of the LC Bank, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the PRC (for the purposes hereof not including the Hong Kong and Macau Special Administrative Regions or Taiwan) and is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days; and

“Subsidiary” in relation to the LC Bank means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the LC Bank.

## **10 Prescription**

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **11 Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **12 Meetings of Bondholders, Modification and Waiver**

### ***(a) Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Standby Letter of Credit or the Keepwell Deed. Such a meeting may be convened by the Issuer or the Trustee, and shall be convened by the Trustee if it receives a written request from Bondholders holding not less than 10% in aggregate principal amount of the Bonds for the time being outstanding and is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50% in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (v) to modify or release the Standby Letter of Credit, or (vi) to modify or terminate the Keepwell Deed, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by the holders of not less than 90% in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by one or more Bondholders.



Any duty derived from any principle of law or equity that would otherwise have the effect of requiring the holders of the Bonds to exercise their powers to vote for or against any Extraordinary Resolution or any other resolution contemplated by the Trust Deed or these Conditions for the benefit or in the interests of any group or class of holders as a whole and not merely individual holders is excluded to the fullest extent permitted by law.

***(b) Modification of the Conditions, Trust Deed, Agency Agreement Standby Letter of Credit and Keepwell Deed***

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or the Keepwell Deed that is, in its opinion, of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach or any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorization or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorization or waiver shall be notified by the Issuer, failing whom, the Company, to the Bondholders as soon as practicable. The Issuer shall notify as soon as possible the Rating Agency of any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed.

***(c) Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

***(d) Certificates and Reports***

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate from or any opinion or advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice, in which event such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Company, the LC Bank and the Bondholders.

**13 Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for completing the NDRC Post-Issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13. However, such further securities may only be issued if (a) the Rating Agency has been informed of such issue; (b) such issue will not result in any change in the then credit rating of the Bonds; (c) a further or supplemental standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit is at least equal to the principal of and interest payments due on such further securities); and (d) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further or supplemental standby letter of credit.



## **14 Enforcement**

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer, the Company or the LC Bank as it may think fit to enforce the terms of the Trust Deed, the Keepwell Deed and the Bonds and, where appropriate, to draw down on the Standby Letter of Credit, but it need not take any such actions and/or steps and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25% in principal amount of the Bonds outstanding, and (b) other than in the case of the making of a drawing under the Standby Letter of Credit, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer, the Company or the LC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## **15 Indemnification of the Trustee**

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses and other amounts in priority to the claims of the holders of the Bonds. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Company and/or the LC Bank and any entity related (directly or indirectly) to the Issuer or the Company or the LC Bank without accounting for any profit.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Keepwell Deed, the Standby Letter of Credit, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Company, the LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Company, the LC Bank and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Company, the LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Change of Control has occurred or to monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed, the Standby Letter of Credit or these Conditions.

## **16 Notices**

Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

*Until such time as any definitive certificates are issued and so long as the Global Certificate is held in its entirety on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A., any notice to the Bondholders shall (notwithstanding the preceding provisions of this Condition 16) be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and Clearstream Banking S.A., for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## **17 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

## **18 Governing Law and Jurisdiction**

### ***(a) Governing Law***

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Keepwell Deed shall be governed by and construed in accordance with Hong Kong law.

### ***(b) Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds ("Proceedings") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed and accordingly any legal action or proceedings arising out of or in connection with the Keepwell Deed ("KWD Proceedings") may be brought in such courts. Pursuant to the Keepwell Deed, each of the Issuer and the Company has irrevocably submitted to the jurisdiction of such courts.

### ***(c) Agent for Service of Process***

Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably appointed Cogency Global (UK) Limited as their agent in England to receive service of process in any Proceedings in England based on any of the Bonds.

Pursuant to the Keepwell Deed, each of the Issuer and the Company has irrevocably appointed Cogency Global (HK) Limited as their agent in Hong Kong to receive service of process in any KWD Proceedings in Hong Kong.

## SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

*The Global Certificates contain provisions which apply to the USD Bonds and the Euro Bonds (together the “Bonds”) in respect of which the Global Certificates are issued, some of which modify the effect of the terms and conditions of the Bonds (the “Conditions” or the “Terms and Conditions”) set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

The USD Bonds and the Euro Bonds will be represented by a USD Global Certificate or a Euro Global Certificate, as applicable, which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under each Global Certificate, each of the USD Issuer or, as the case maybe, the Euro Issuer, for value received, promises to pay such principal and interest on the relevant Bonds to the holder of such Bonds (as applicable) on such date or dates as the same may become payable in accordance with the Conditions.

Owners of interests in the USD Bonds or, as the case may be, the Euro Bonds in respect of which the Global Certificate is issued will be entitled to have title to the USD Bonds or, as the case may be, the Euro Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the relevant Issuer (as applicable) will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the USD Bonds or, as the case may be, the Euro Bonds in respect of which the USD Global Certificate or, as the case may be, the Euro Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the USD Issuer or, as the case maybe, the Euro Issuer (as applicable) and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

### Payment

So long as the USD Bonds or, as the case may be, the Euro Bonds are represented by the USD Global Certificate, or, as the case may be, the Euro Global Certificate, each payment in respect of the relevant Global Certificate will be made to, or to the order of, the person shown as the holder of the relevant Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where “Clearing System Business Day” means Monday to Friday, inclusive except December 25 and January 1.

So long as the USD Bonds or, as the case may be, the Euro Bonds are represented by the USD Global Certificate, or, as the case may be, the Euro Global Certificates and the relevant Global Certificate is held on behalf of a clearing system, each of the USD Issuer and the Euro Issuer has promised, *inter alia*, to pay interest in respect of the relevant Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions (as applicable) of the Bonds, save that the calculation is made in respect of the total aggregate amount of the relevant Bonds represented by the relevant Global Certificate.

### Trustee’s Powers

In considering the interests of the Bondholders of the USD Bonds and the Euro Bonds whilst the Global Certificates are registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the USD Bonds or, as the case may be, the Euro Bonds and (b) may consider such interests on the basis that such accountholders were the holder of the Bonds in respect of which the relevant Global Certificate is issued.

## **Notices**

So long as the Bonds are represented by the Global Certificates and the Global Certificates are held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders of the USD Bonds or, as the case may be, the Euro Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

## **Bondholder's Redemption**

The Bondholder's redemption option in Condition 6(d) of the Terms and Conditions may be exercised by the holder of the relevant Global Certificate giving notice to the Principal Paying Agent or any other Paying Agent of the principal amount of the USD Bonds or, as the case may be, the Euro Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

## **Transfers**

Transfers of interests in the USD Bonds or, as the case may be, the Euro Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

## **Cancellation**

Cancellation of any USD Bonds by the USD Issuer or, as the case may be, any Euro Bonds by any of the Euro Issuer following its redemption or purchase by the USD Issuer or, as the case may be, the Euro Issuer (as applicable) will be effected by reduction in the principal amount of the Bonds USD Bonds or, as the case may be, the Euro in the register of the USD Bonds or, as the case may be, the Euro Bonds.

## **Meetings**

For the purposes of any meeting of Bondholders of the USD Bonds or, as the case may be, the Euro Bonds, the holder of the Bonds represented by the relevant Global Certificate shall (unless such Global Certificates represent only one Bond each) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders of the USD Bonds or, as the case may be, the Euro Bonds and as being entitled to one vote in respect of each US\$1,000 or €1,000, as applicable, in principal amount of the USD Bonds or, as the case may be, the Euro Bonds held.

## DESCRIPTION OF THE KEEPWELL DEEDS

*The statements under this heading are summaries of certain key provisions of the USD Keepwell Deed to be entered into between the Company, the USD Issuer and the Trustee (the “USD Keepwell Deed”) and of the Euro Keepwell Deed to be entered into between the Company, the Euro Issuer and the Trustee (the “Euro Keepwell Deed”). Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deeds.*

Under the USD Keepwell Deed and the Euro Keepwell Deed, the Company will undertake to each of the USD Issuer, the Euro Issuer and the Trustee that it or any of its Subsidiaries will directly or indirectly own and hold all the outstanding shares of each of the USD Issuer and the Euro Issuer having the right to vote for election of members of the board of directors of each of the USD Issuer and the Euro Issuer (as the case may be) and will not directly or indirectly pledge or in any way encumber or otherwise dispose of any shares, unless required to dispose of any or all such shares pursuant to law or regulation or a court decree or order of any governmental authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged. The Company will undertake in the USD Keepwell Deed and the Euro Keepwell Deed (as the case may be) with each of the USD Issuer, the Euro Issuer and the Trustee that it shall cause (i) each of the USD Issuer and the Euro Issuer to have a consolidated net worth of at least US\$1.00 at all times and (ii) each of the USD Issuer and the Euro Issuer to have sufficient liquidity to ensure timely payment by each of the USD Issuer and the Euro Issuer (as the case may be) of any amounts payable in respect of the Bonds in accordance with the Trust Deed and the Conditions and payments due under the Trust Deed and the Agency Agreement.

The Company will further undertake with each of the USD Issuer and the Euro Issuer and the Trustee in the USD Keepwell Deed and the Euro Keepwell Deed (as the case may be) that for so long as the Bonds are outstanding:

- (i) not to amend the memorandum and articles of association of each of the USD Issuer and the Euro Issuer in a manner that is adverse to Bondholders;
- (ii) to cause each of the USD Issuer and the Euro Issuer to remain in full compliance with the Conditions, the Trust Deed and all applicable rules and regulations in the British Virgin Islands and Hong Kong;
- (iii) to cause each of the USD Issuer and the Euro Issuer to either use the proceeds itself or to lend the proceeds from the offering of the Bonds only to the Company’s subsidiaries or affiliates (each a “**Relevant Affiliate**”), and to cause such Relevant Affiliate to pay the interest and principal in respect of such intercompany loan on time;
- (iv) to the extent a Relevant Affiliate lends, novates or assigns any of the proceeds it receives from any of the Issuers from the offering of the Bonds, to cause such Relevant Affiliate to lend, novate or assign such proceeds only to another Relevant Affiliate or other Relevant Affiliates;
- (v) promptly to do all such things and take any and all such actions necessary to comply with its obligations under the Keepwell Deeds; and
- (vi) to cause each of the USD Issuer and the Euro Issuer to do all such things and take any and all such actions necessary in a timely manner to comply with the Issuers’ obligations under the Keepwell Deeds.

Each of the USD Keepwell Deed and the Euro Keepwell Deed is not and will not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed as evidence of, a guarantee by or any legal obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of each of the USD Issuer and the Euro Issuer under the laws of any jurisdiction, including the PRC.

The Company will acknowledge in each of the Keepwell Deeds that the same is being entered into for the benefit of the Trustee on behalf of the holders of the Bonds, and agrees that the provisions of the Keepwell Deeds may be enforced by the Trustee in that capacity.

Each of the Keepwell Deeds will be governed by and construed in accordance with Hong Kong law.

## USE OF PROCEEDS

The net proceeds from this offering will be equivalent to approximately US\$832.9 million<sup>(1)</sup> after deducting the fees and commissions and other estimated expenses payable in connection with this offering. We intend to use the net proceeds from this offering for business development in and outside the PRC.

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*Note:*

- (1) Translation from Euro into U.S. dollars was made at the rate of €1.00 to US\$1.1677, the noon buying rate in New York City for cable transfers payable in Euro as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2018.



## EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by the PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. From July 21, 2005 to December 31, 2014, the value of the Renminbi appreciated by approximately 33% against the U.S. dollar. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC announces the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends indicated.

Period	Period end	Noon buying rate		
		Average <sup>(1)</sup>	High	Low
		(RMB per US\$1.00)		
2013.....	6.0537	6.1412	6.2438	6.0537
2014.....	6.2046	6.1619	6.2591	6.0402
2015.....	6.4778	6.2869	6.4778	6.2046
2016.....	6.9430	6.6549	6.9580	6.4480
2017.....	6.5063	6.7564	6.9575	6.4773
2018				
February .....	6.3280	6.3183	6.3471	6.2649
March .....	6.2726	6.3174	6.3565	6.2685
April .....	6.3325	6.2963	6.3340	6.2655
May .....	6.4096	6.3701	6.4175	6.3325
June .....	6.6171	6.4651	6.6235	6.3850
July .....	6.8038	6.7164	6.8102	6.6123
August (through August 24) .....	6.8030	6.8519	6.9330	6.8030

Source: Federal Reserve H.10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the monthly average rate, which is determined by averaging the daily rates during the months.

## EURO

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer into Euro as certified for custom purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	High	Low
		(US\$ per €1.00)		
2013.....	1.3779	1.3281	1.3816	1.2774
2014.....	1.2101	1.3297	1.3927	1.2101
2015.....	1.0859	1.1032	1.2015	1.0524
2016.....	1.0552	1.1072	1.1516	1.0375
2017.....	1.2022	1.1300	1.2041	1.0416
2018				
February .....	1.2211	1.2340	1.2482	1.2211
March .....	1.2320	1.2333	1.2440	1.2216
April.....	1.2074	1.2269	1.2288	1.2074
May .....	1.1670	1.1823	1.2000	1.1551
June .....	1.1677	1.1679	1.1815	1.1577
July .....	1.1706	1.1685	1.1744	1.1604
August (through August 24) .....	1.1625	1.1513	1.1666	1.1332

Source: Federal Reserve H.10 Statistical Release

*Note:*

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the monthly average rate, which is determined by averaging the daily rates during the months.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the consolidated total borrowings (both current and non-current portions), total equity and total capitalisation of the Group as of June 30, 2018 and adjusted to give effect to the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering:

	As of June 30, 2018			
	Actual	Actual	As adjusted	As adjusted
	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
	(audited)	(unaudited)	(unaudited)	(unaudited)
<b>Current debt:</b>				
Current portion of long-term borrowings .....	15,122,059.8	2,285,300.2	15,122,059.8	2,285,300.2
Short-term borrowings .....	9,992,268.8	1,510,067.7	9,992,268.8	1,510,067.7
<b>Total current debt</b> .....	<u>25,114,328.6</u>	<u>3,795,367.9</u>	<u>25,114,328.6</u>	<u>3,795,367.9</u>
<b>Non-current debt:</b>				
Long-term borrowings .....	32,165,606.5	4,860,982.4	32,165,606.5	4,860,982.4
Bonds payable <sup>(2)</sup> .....	25,432,597.9	3,843,465.9	25,432,597.9	3,843,465.9
USD Bonds to be issued .....	—	—	3,207,785.1	484,772.1
Euro Bonds to be issued .....	—	—	2,317,155.4	350,176.9
<b>Total non-current debt</b> .....	<u>57,598,204.4</u>	<u>8,704,448.2</u>	<u>63,123,144.9</u>	<u>9,539,397.3</u>
<b>Equity:</b>				
Share capital .....	32,000,000.0	4,835,955.3	32,000,000.0	4,835,955.3
Reserves .....	15,909,107.5	2,404,241.7	15,909,107.5	2,404,241.7
Non-controlling interests .....	27,365,397.3	4,135,557.4	27,365,397.3	4,135,557.4
<b>Total equity</b> .....	<u>75,274,504.8</u>	<u>11,375,754.5</u>	<u>75,274,504.8</u>	<u>11,375,754.4</u>
<b>Total capitalization<sup>(1)</sup></b> .....	<u>132,872,709.2</u>	<u>20,080,202.7</u>	<u>138,397,649.7</u>	<u>20,915,151.7</u>

*Notes:*

- (1) Total capitalization represents total non-current debt and total equity.
- (2) Includes: (i): medium-term notes in an aggregate principal of RMB6,000,000,000 at a fixed interest rate of 5.03% issued on June 19, 2012 and due on June 20, 2022; (ii) medium-term notes in an aggregate principal of RMB6,000,000,000 at a fixed interest rate of 4.80% issued on July 17, 2012 and due on July 18, 2019; (iii) medium-term notes in an aggregate principal of RMB4,500,000,000 at a fixed interest rate of 5.22% issued on September 14, 2012 and due on September 17, 2022; (iv) corporate bonds in an aggregate principal of RMB1,500,000,000 at a fixed interest rate of 2.95% issued on October 17, 2016 and due on October 18, 2019; (v) corporate bonds in an aggregate principal of RMB5,500,000,000 at a fixed interest rate of 3.17% issued on October 17, 2016 and due on October 18, 2021; (vi) corporate bonds in an aggregate principal of RMB1,100,000,000 at a fixed interest rate of 5.00% issued on November 15, 2017 and due on November 16, 2020; and (vii) corporate bonds in an aggregate principal of RMB900,000,000 at a fixed interest rate of 5.20% issued on November 15, 2017 and due on November 16, 2022.

Subsequent to June 30, 2018, we have, in the ordinary course of business, entered into additional financing arrangements to finance our business development and for general corporate purposes. Except as otherwise disclosed in this offering circular, there has been no material adverse change in our capitalization and indebtedness since June 30, 2018.

## **DESCRIPTION OF THE USD ISSUER**

The USD Issuer, our wholly owned subsidiary, is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands on August 23, 2018. The USD Issuer's BVI company number is 1990127. Its registered office is located at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands. Under section 4.1 of the USD Issuer's memorandum of association, the USD Issuer shall have full capacity to carry out or undertake any business or activity, do any act or enter into any transaction subject to the law for the time being in force in the British Virgin Islands. The USD Issuer's primary purpose is to act as one of our financing subsidiaries. The USD Issuer will remain our wholly owned subsidiary as long as the USD Bonds are outstanding and will advance the net proceeds of the notes to us or our subsidiaries. The USD Issuer has no material assets.

The director of the USD Issuer is Chaokun Li. The business address of the USD Issuer's directors is Building 1, Zhuyucheng Mansion, No. 9 Shoutinan Road, Haidian District, Beijing, China.

There are no potential conflicts of interest between the duties to the USD Issuer of the directors of the USD Issuer listed above and their private interests and/or duties.

The USD Issuer is authorized to issue a maximum of 50,000 shares of one class of no par value, 100 of which have been issued. No part of the equity securities of the USD Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The USD Issuer does not have any assets or liabilities other than its paid-in capital and the notes now being issued. The USD Issuer has no subsidiaries.

The USD Issuer has not published, and does not propose to publish, any of its accounts since it is not required to do so under the laws of the British Virgin Islands. However, the USD Issuer is required to keep such accounts and records as its director considers necessary or desirable in order to reflect the financial position of the USD Issuer. The USD Issuer's results of operations will be consolidated into our results of operations in the future.

## DESCRIPTION OF THE EURO ISSUER

The Euro Issuer, our wholly owned subsidiary, is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands on August 23, 2018. The Euro Issuer's BVI company number is 1990132. Its registered office is located at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands. Under section 4.1 of the Euro Issuer's memorandum of association, the Euro Issuer shall have full capacity to carry out any business or activity, do any act or enter into any transaction subject to the law for the time being in force in the British Virgin Islands. The Euro Issuer's primary purpose is to act as one of our financing subsidiaries. The Euro Issuer will remain our wholly owned subsidiary as long as the Euro Bonds are outstanding and will advance the net proceeds of the notes to us or our subsidiaries. The Euro Issuer has no material assets.

The director of the Euro Issuer is Chaokun Li. The business address of the Euro Issuer's directors is Building 1, Zhuyucheng Mansion, No. 9 Shoutinan Road, Haidian District, Beijing, China.

There are no potential conflicts of interest between the duties to the Euro Issuer of the directors of the Euro Issuer listed above and their private interests and/or duties.

The Euro Issuer is authorized to issue a maximum of 50,000 shares of one class of no par value, 100 of which have been issued. No part of the equity securities of the Euro Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Euro Issuer does not have any assets or liabilities other than its paid-in capital and the notes now being issued. The Euro Issuer has no subsidiaries.

The Euro Issuer has not published, and does not propose to publish, any of its accounts since it is not required to do so under the laws of the British Virgin Islands. However, the Euro Issuer is required to keep such accounts and records as its director considers necessary or desirable in order to reflect the financial position of the Euro Issuer. The Euro Issuer's results of operations will be consolidated into our results of operations in the future.

## DESCRIPTION OF THE GROUP

### OVERVIEW

We are a large Chinese state-owned enterprise with a diversified business model, comprising our fast-growing logistics, financial and other services, well-established shipbuilding, ship repair and offshore engineering business, steadily growing ship ancillary products and services and research and development business. To diversify our businesses and build our integrated and well-rounded service capabilities, we strategically established our logistics, financial and other services business segment to increase our revenue, complete our value chain and optimize our business structure, which experienced fast growth from 2015 to 2018. Under our logistics, financial and other services business segment, we provide logistics, international trade, financial, general contracted engineering and consulting services. We have a well-established shipbuilding, ship repair and offshore engineering business. Our shipbuilding business enjoys a strong global market position. Based on data from Clarksons, we were ranked second among all shipbuilders in the world for at least 12 years since 2006 in terms of completed orders. For the six months ended June 30, 2018, we were ranked second among all shipbuilders in the world in terms of total order book measured by DWT, ranked third in terms of total new orders measured by DWT and ranked second in terms of completed orders measured by DWT, based on data from Clarksons. As of June 30, 2018, we had a total order book of approximately 24.6 million DWT with a global market share of approximately 12.1%, total new orders of approximately 4.0 million DWT with a global market share of approximately 11.4% of new orders according to data from Clarksons, and total completed orders of approximately 4.5 million DWT with a global market share of approximately 9.9%, according to data from Clarksons. We also have strong ship repairing capabilities offering a wide range of repairing and maintenance services for vessels and strong offshore engineering business supported by our strong research and development capabilities. We seek to further diversify our business and have, since 2013, strategically developed our ship ancillary products and services, including power and engine equipment, mechanical and electrical equipment and information and control technology. We are also involved in the vessel and related leasing business, primarily operating through CSSC (Hong Kong) Shipping, our wholly owned Hong Kong subsidiary.

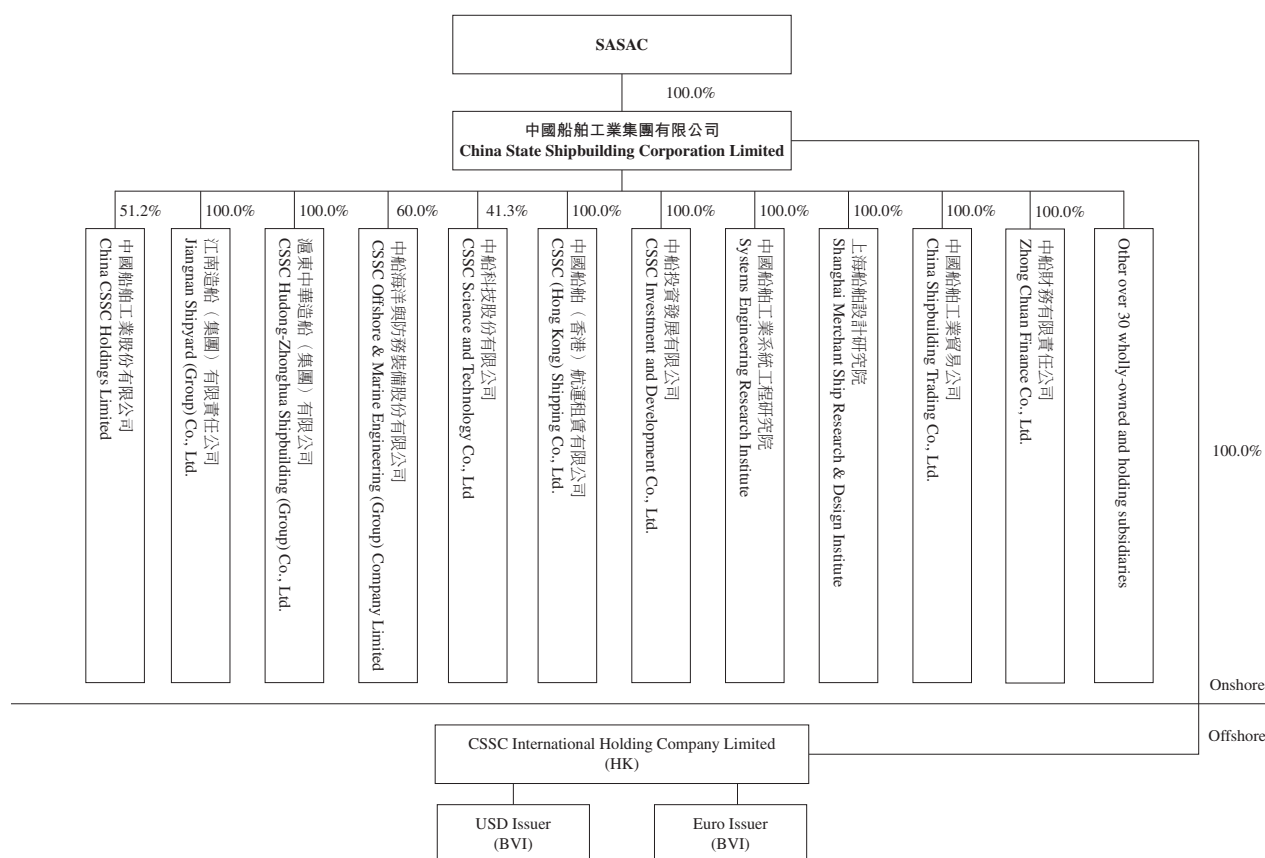
We were established on July 1, 1999. We are designated as an “extra-large” conglomerate and state-authorized investment institution directly administered by the PRC central government. In October 1999, we began to build our Shanghai Waigaoqiao Shipbuilding Base (上海外高橋造船基地), the most efficient shipbuilding base in China in terms of CGT per hour. In December 2003, we began to build our Shanghai Changxing Shipbuilding Base (上海長興造船基地), the largest shipbuilding base in the world. In September 2004, we began to build our Guangzhou Longxue Shipbuilding Base (廣州龍穴造船基地), the largest shipbuilding base in South China. We successfully delivered China’s first LNG carrier and our first self-designed VLCC ship in April 2008 and January 2010, respectively. We also set up a laboratory for national energy LNG offshore storage and transportation equipment (國家能源LNG海上儲運裝備重點實驗室) in August 2012, which is the only state laboratory in this field in China. As of June 30, 2018, we had in total 40 consolidated subsidiaries, including, among others, eight research and development subsidiaries, eight shipbuilding yards and three corporations listed on the Shanghai Stock Exchange, namely, China CSSC Holdings Limited (中國船舶) (600150.CH), CSSC Science and Technology Co., Ltd (中船科技) (600072.CH) and CSSC Offshore and Marine Engineering (Group) Company Limited (中船防務) (600685.CH). CSSC Offshore and Marine Engineering (Group) Company Limited is also listed on the Hong Kong Stock Exchange since 1993 (317.HK).

In 2015, 2016 and 2017 and the first half of 2018, our total revenue of our business segments amounted to RMB188,645.8 million, RMB197,664.3 million, RMB200,599.5 million (US\$30,315.3 million) and RMB71,467.0 million (US\$10,800.4 million), respectively. For the same periods, our profit was RMB2,575.4 million, RMB940.5 million, RMB1,453.6 million (US\$219.7 million) and RMB484.6 million (US\$73.2 million), respectively.



## SIMPLIFIED GROUP STRUCTURE

The following chart illustrates our simplified corporate structure as of the date of this offering circular, listing our certain major subsidiaries and jointly controlled entities:



## OUR STRENGTHS

We believe that our historical success and future prospects are directly related to a combination of our strengths, including the following:

### A large Chinese state-owned enterprise with a leading shipbuilding business in the world

We are a large Chinese state-owned enterprise with a diversified business model, comprising our fast-growing logistics, financial and other services, well-established shipbuilding, ship repair and offshore engineering business, steadily growing ship ancillary products and services and research and development business.

To diversify our businesses and build our integrated and well-rounded service capabilities, we strategically established our logistics, financial and other services business segment to increase our revenue, complete our value chain and optimize our business structure, which experienced steady growth since 2015. In 2015, 2016 and 2017 and the first half of 2018, our revenue from logistics, financial and other services was RMB98,944.0 million, RMB114,791.5 million, RMB116,919.1 million (US\$17,669.2 million) and RMB38,661 million (US\$5,842.6 million), respectively, representing 52.4%, 58.1%, 58.3% and 54.1%, respectively, of our total revenue of our business segments.

Our shipbuilding business enjoys a strong global market position. Based on data from Clarksons, we were ranked second among all shipbuilders in the world for at least 12 years since 2006 in terms of completed orders. For the six months ended June 30, 2018, we were ranked second among all shipbuilders in the world in terms of total order book measured by DWT, ranked third in terms of total new orders measured by DWT and ranked second in terms of completed orders measured by DWT, based on data from Clarksons. As of June 30, 2018, we had a total order book of approximately 24.6 million DWT with a global market share of approximately 12.1%, total new orders of approximately 4.0 million DWT with a global market share of approximately 11.4%, and total completed orders of approximately 4.5 million DWT with a global market share of approximately 9.9%, according to data from Clarksons.

In addition to shipbuilding, we are able to repair a wide variety of ships at a competitive price. Our offshore engineering business have also achieved rapid growth supported by our strong research and development capabilities. In addition, we seek to further diversify our business and, since 2013, strategically expanded our business to provide ship ancillary products and services, including power and engine equipment, mechanical and electrical equipment, information and control technology. In July 2014, we entered into a joint venture with a leading international engine manufacturer based in Europe to acquire the majority interest of its engine business in Switzerland. In the same month, we established another joint venture with the same company to manufacture medium speed engines in Shanghai. As of June 30, 2018, we had in total 40 consolidated subsidiaries, including, among others, eight research and development subsidiaries, eight shipbuilding yards and three corporations listed on the Shanghai Stock Exchange, including one dual-listed on the Hong Kong Stock Exchange.

As a large Chinese state-owned enterprise with a leading shipbuilding business in the world, we believe that we are well positioned to capture the growth opportunities in China's and global shipbuilding industry and other related industries with high growth potential and increase our overall performance.

### **Strong research, development and innovative capabilities**

We have eight research and development subsidiaries, among which, the Marine Design & Research Institute of China (MARIC), Shanghai Merchant Ship Design & Research Institute (SDARI) and Guangzhou Marine Engineering Corporation (GUMECO), are the most renowned ship and offshore design institutes in China. We also own 12 nationally accredited enterprise technology centers, two national engineering laboratories, one national engineering research center and one national energy research and development center.

We have built open and effective research and development models and fully utilized global technical resources to improve our innovative capacity through establishing extensive cooperation with world famous ship-owners, ship classification societies, pools, equipment manufacturers, professional design companies and universities, such as the Chinese Academy of Sciences, Tsinghua University and Shanghai Jiao Tong University. As of June 30, 2018, we owned 4,536 valid patents.

We developed a number of environmental friendly ships, which have substantially higher energy saving and environmental protection indicators. Our economic and technical norms of the three major ship types are of international standards, whereby oil consumption has been reduced by 20% to 40%, nitrogen oxide emissions have decreased by 30% to 90%, sulphur emissions have been reduced by 90% to 100% and the Energy Efficiency Design Index is 15% to 35% lower than the index's baseline value. We have been able to continue improve our product portfolio through research and development. For example, we successfully developed a LNG vessel with a capacity of 174,000 cubic meters, VLGC, VLEC with a capacity of 83,000 cubic meters, a large container ship with a capacity of 18,000 TEUs and 3,000-meter deepwater semi-submersible drilling rigs.

As of June 30, 2018, our research institutes received a total of ten National Scientific and Technological Progress Award, a total of 213 National Defense Scientific and Technological Progress Award and a total of three National Defense Technology Invention Award for their research achievements.

## **A strong shipbuilding capacity with a wide spectrum of products**

We have strong shipbuilding capacity with several leading shipbuilding yards in China or even in the world. We have the largest shipbuilding base in the world, Shanghai Changxing Shipbuilding Base (上海長興造船基地), the most efficient shipbuilding base in China in terms of CGT, Shanghai Waigaoqiao Shipbuilding Base (上海外高橋造船基地), and the largest shipbuilding base in South China, Guangzhou Longxue Shipbuilding Base (廣州龍穴造船基地). In addition to these three leading shipbuilding bases, we have eight shipbuilding yards strategically located in Shanghai, Guangzhou, Guangxi province and Jiangsu province, being the economically developed and fast-growing coastal areas in China.

We manufacture a variety of vessels for our international and domestic customers at our shipyards, covering both civil and naval products. We are able to build almost any kind of modern ships for civil use. We have a wide spectrum of products, ranging from the conventional oil tankers and bulk carriers to complex and state-of-art vessels, such as LNG carriers, VLCC, VLEC, VLGC, chemical carriers, RO/RO passenger freight ships, large container ships, large self-unloading ships, high-speed ships and various civil ships as well as engineering facilities. In addition, we are devoted to develop new types of ships, in particular, new economic or environmental friendly ships, and successfully launched those ships to the market. Since 2013, we developed 260 new types of vessels and launched 245 of them to the market. With low fuel consumption and emission, remarkable performance and high competitiveness, these environmentally friendly types of ships have been well received by the market and we have received orders for 141 of them since we launched them in the market. In 2014, we also independently developed, designed and built an 18,000 TEU ultra-large container ship and a jack-up rig.

With our leading and strong shipbuilding capacity, we believe we are well positioned to capitalize on the growing demand for shipbuilding in China and in the world.

## **A diversified customer base and long-term relationships with key customers**

We have developed and maintained strong and long-term relationships with our customers. As of June 30, 2018, we had a total of over 400 customers, a diversified customer base comprising renowned national and international ship-owners and offshore operators, and major Chinese national oil and gas companies, which we believe have strong credit profiles and enjoy good reputation in the shipping, offshore engineering and oil and gas industry. We also export a large number of ships to more than 150 countries and regions in the world. In 2015, 2016 and 2017 and the first half of 2018, orders from overseas markets constituted approximately 33.6%, 26.7%, 43.4% and 74.9% of our total order book in terms of contract value, respectively. To further promote sales of our products and provide after-sale services to our customers outside of China, we have established overseas representative offices in Egypt, Germany, Hong Kong, Pakistan, Singapore, Thailand, the United States and Vietnam.

We have forged long-term relationships with our key customers. Since the commencement of our operations, we have been able to develop a strong relationship with our customers, particularly our major customers. Some of our major customers have an over 30-year business relationship with us. We have established long-term relationships with the major state-owned shipping groups. We have also maintained strategic cooperation relationships with the national oil companies. In addition, we provide navy vessels, facilities and other supplementary services to Chinese Navy, who has been one of our major customers. We believe that our existing client base and long-term relationships with our key customers have provided us with a steady source of revenue.

## **A diversified business model with diversified funding channels to support our sustainable growth**

To expand our business operations and diversify the sources of our revenue, since 2013 we expanded our business to four business segments, comprising logistics, financial and other services, shipbuilding, ship repair and offshore engineering, ship ancillary products and services and research and development, through which we believe we have successfully transformed from a traditional company with shipbuilding and repair as focus to a multi-faceted and well-rounded shipbuilding and equipment company with provision of high-end and high-tech services and products as our goal. Our diversified business model allows us to not only generate revenue from the global shipping industry, but also capture opportunities in other high-growth and high-potential industries. For the six months ended June 30, 2018, revenue from each of our four business segments, namely, logistics, financial and other services, shipbuilding, ship repair and offshore engineering, ship ancillary products and services and research and development amounted to RMB38,661.0 million, RMB24,903.0 million, RMB5,319.0 million and RMB2,584.0 million, representing 54.1%, 34.8%, 7.4% and 3.6% of our total revenue of our business segments, respectively. Our logistics, financial and other services experienced substantial growth since 2015. For example, as of June 2018, we had established relationships with over 1,000 enterprises and set up our logistics supply system. We also provide international trade services to clients of over 40 countries. In the meantime, our shipbuilding and ship repair business remains a sustainable revenue source and allows us to maintain our dominant position in the shipping industry. As of December of 31, 2015, 2016 and 2017 and June 30, 2018, our total order book was approximately 32.3 million DWT, 28.5 million DWT, 25.1 million DWT and 24.6 million DWT, respectively, as compared to our total completed orders of approximately 11.9 million DWT, 9.7 million DWT, 13.1 million DWT and 4.5 million DWT, respectively, as of the same dates.

We have also established cooperative relationships with a number of leading PRC and international financial institutions. In the PRC, we have entered into loan agreements with major PRC lending banks, including the Export-Import Bank of China, China Development Bank, China CITIC Bank, Bank of Communications and China Everbright Bank. Since 2012, we have successfully tapped the domestic capital markets by issuing a series of short-and medium-term notes. Through the offering of our US\$800 million bonds in 2013 and the offering of our €500 million in 2015, we were able to further diversify our financing sources and obtain funding through accessing the international capital markets. We believe our multiple financing channels and strong relationships with major financial institutions provide us with flexibility to fund our operations and enhance our liquidity position.

## **An experienced and stable management team and strong talent pool**

Our senior management team has extensive experience in the shipbuilding industry with an average experience of over 26 years. They possess solid industry knowledge and extensive operational experience and have been instrumental to our sustainable growth. In particular, Mr. Lei Fanpei, our Chairman, has over 31 years of experience in research and development, corporate management and strategic decision-making. We believe the industry knowledge and technical expertise of our management team have been, and will continue to be, our important assets, and will continue to contribute to our future sustainable development.

We believe that we have built up a strong human resource management system that is the core competency of our sustainable growth. As such, we recruited experienced professionals and engineers and also foster in-house development of our new hires and provide them with a fast growth track towards a technical career. As of June 30, 2018, 527 employees were awarded the title of State Council Expert for Special Allowance, and ten employees received the Chinese Technique Award. We believe our strong human resource management system will not only ensure there is sufficient number of qualified personnel to continue to serve our customers, but also enable us to keep abreast of technology development in the shipbuilding, repairing and other services and maintain our competitive advantages.

## OUR STRATEGIES

We aim to become a world-class global conglomerate with a focus on shipbuilding business and further diversification and expansion of our other businesses. To achieve this goal, we plan to implement the following strategies:

### **Expand our business network by capitalizing on the “Belt and Road Initiative” and continue to diversify our businesses and develop new business capabilities**

We plan to further develop and expand our business network by capturing opportunities arising from the “Belt and Road Initiative”. We plan to enhance our cooperation with international renowned enterprises, such as Wärtsilä, Siemens and General Electric to develop our luxury cruise ship business, engine equipment business and offshore crane business.

With respect to our fast-growing logistics, financial and other services business, we plan to continue enhancing our service capabilities and expanding our service scope to achieve economies of scale. We plan to focus on areas such as international trade services, renewable energy related products and services, services covering the entire LNG industrial chain, cruise related business and urbanization construction business to achieve economies of scale and optimize our business structure.

In line with our strategy, we plan to develop and offer new vessels and offshore engineering products for the shipbuilding industry and to continue looking for opportunities for business diversification. In addition, we plan to strengthen and enlarge the development of our existing four business segments, develop new products and services and increase the application of advanced technology in our products and services. We also plan to explore new business opportunities to complete our value chain and optimize our business structure, and invest in, acquire or merger with appealing targets in China, diversify our capital resources, including equity or debt offering and finance leasing, and increase our business scale, acquire needed technology and other important resources and expand into new business areas.

### **Continue to focus on the development of our core business of shipbuilding and further diversify our product portfolio**

We plan to continue to focus on the development of our core business of shipbuilding. We intend to focus on technologies and equipment that are crucial to enhancing and developing new and more advanced types of vessels. We plan to strengthen our market leadership by continuously adding upgraded and new vessel models to our offerings and enhancing our after-sale services by establishing service centers near our customers, including those located in Europe. We expect to further expand our product portfolio to high-tech ships and vessels such as LNG carriers, luxury cruise ships, nuclear-powered icebreaker, intelligent ships, semi-submersible production platforms, LNG-FPSO and other energy-saving and environmental friendly vessels and ships. In 2014, as part of our strategy to develop our luxury cruise ship business, we entered into a memorandum of understanding with a leading cruise ship operator based in the US and a large shipbuilding company based in Italy to explore the possibility of cooperation. In 2015, we entered into a joint venture agreement with China Investment Corporation and the world’s largest cruise operator Carnival Group to establish a luxury cruise ship company in China. In 2016, we entered into a joint venture agreement with a large shipbuilding company based in Italy to establish a luxury cruise shipbuilding joint venture. In 2017, we entered into a memorandum of agreement with Carnival Group and a large shipbuilding company based in Italy to construct China’s first domestic large-scale cruise ship. We also plan to maintain an appropriate level of supply of military products to the Chinese Navy.

### **Continue to focus on developing offshore engineering products and enhance our engineering and technical service capabilities**

We seek to further develop our offshore engineering business and increase our strategic cooperation with customers in this area. We plan to develop new technologies and high value-added products related to oil and gas transportation and exploration, such as jack-ups, FPSOs/FSOs, offshore engineering vessels and LNG carriers, drilling rigs, undersea pipe-laying vessels, production platforms, to further increase our market share in the offshore engineering market. Taking advantage of our experience in making offshore engineering products, we plan to increase our research and development effort, speed up the development of offshore engineering products and enhance our technological capabilities.

We also intend to enhance our engineering and technical service capabilities to further develop our engineering and technical services business. We believe that utilization of advanced technologies is vital to maintain and further develop our competitiveness. As such, we intend to continue to improve our research and development capabilities. We also plan to push ahead with rapid transformation and commercialization of new technological achievements. In addition, we intend to improve the synergies with our other business segments. We will also closely monitor industry trends so that we can refine and adjust our investments in technologies and equipment upgrades to achieve sustainable long-term growth.

### **Further strengthen our management, optimize our operation, enhance efficiency, maintain prudent financial policy and reduce costs**

We plan to strengthen management incentive system and further enhance internal control by means of information technology and improving operational efficiency. We will continue to pursue synergies derived from our diversified business model to further develop our logistics, financial and other services. In the meantime, we will improve the production capacity of our shipbuilding, ship repair and offshore engineering businesses. We also plan to enhance our resource allocation internally and optimize our operations within the group to improve the overall performance of our Group.

We aim to enhance our production efficiency and improve the turnover and output of our facilities. We plan to consolidate our business operations and thoroughly use our internal resources. We also plan to continue focusing on technological development and product innovation through research and further enhance our research and development capabilities.

In addition, we plan to maintain what we believe to be prudent financial metrics to ensure the sustainable growth of our business operations. In respect to any investment decision, we plan to take a prudent approach. Further, we will continue to rely on our subsidiaries engaged in financial services to centralize our financing activities in order to facilitate resource sharing among our Group companies, reduce our overall financing costs and improve our profitability.

## **OUR BUSINESS**

We currently have four business segments, namely, logistics, financial and other services, shipbuilding, ship repair and offshore engineering, ship ancillary products and services and research and development. In 2015, 2016 and 2017 and the first half of 2018, our total revenue of our business segments amounted to RMB188,645.8 million, RMB197,664.3 million, RMB200,599.5 million (US\$30,315.3 million) and RMB71,467.0 million (US\$10,800.4 million), respectively. For the same periods, our profit was RMB2,575.4 million, RMB940.5 million, RMB1,453.6 million (US\$219.7 million) and RMB484.6 million (US\$73.2 million), respectively. The following table sets forth our revenue by business segment for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(RMB)	(USD)
	(in millions)				(in millions)		
	(unaudited)				(unaudited)	(unaudited)	(unaudited)
Logistics, financial and other services .....	98,944.0	114,791.5	116,919.1	17,669.2	66,222.0	38,661.0	5,842.6
Shipbuilding, ship repair and offshore engineering.....	80,227.6	71,880.6	70,976.4	10,726.2	30,500.0	24,903.0	3,763.4
Ship ancillary products and services .....	5,527.6	6,833.1	8,449.0	1,276.8	4,864.0	5,319.0	803.8
Research and development.....	3,946.7	4,159.1	4,255.0	643.0	2,593.0	2,584.0	390.5
<b>Total Revenue .....</b>	<b>188,645.8</b>	<b>197,664.3</b>	<b>200,599.5</b>	<b>30,315.3</b>	<b>104,179.0</b>	<b>71,467.0</b>	<b>10,800.4</b>



In 2015, 2016 and 2017 and the first half of 2018, our total cost of sales amounted to RMB178,089.5 million, RMB183,868.8 million, RMB187,496.6 million (US\$28,335.2 million) and RMB66,505.0 million (US\$10,050.5 million). The following table sets forth our cost of sales by business segment for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(RMB)	(USD)
	(in millions)				(in millions)		
	(unaudited)				(unaudited)	(unaudited)	(unaudited)
Logistics, financial and other services .....	96,671.6	112,080.3	115,135.1	17,399.6	64,355.0	36,583.0	5,528.6
Shipbuilding, ship repair and offshore engineering.....	73,622.7	63,392.6	62,359.8	9,424.0	27,836.0	23,121.0	3,494.1
Ship ancillary products and services .....	4,620.2	5,198.1	6,662.8	1,006.9	4,223.0	4,580.0	692.1
Research and development.....	3,175.0	3,197.8	3,338.7	504.6	2,230.0	2,221.0	335.6
<b>Total Cost .....</b>	<b>178,089.5</b>	<b>183,868.8</b>	<b>187,496.6</b>	<b>28,335.2</b>	<b>98,644.0</b>	<b>66,505.0</b>	<b>10,050.5</b>

Our total gross profit increased from RMB10,556.3 million in 2015 to RMB13,795.5 million in 2016 and decreased to RMB13,102.9 million (US\$1,980.2 million) in 2017. Our total gross profit decreased from RMB5,535.0 million (US\$836.5 million) in the first half of 2017 to RMB4,962.0 million (US\$749.9 million) in the first half of 2018. Our gross profit margin was approximately 5.6%, 7.0%, 6.5% and 6.9%, respectively, in 2015, 2016 and 2017 and the first half of 2018.

The following table sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017		2017	2018	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(RMB)	(USD)
	(in millions)				(in millions)		
	(unaudited)				(unaudited)	(unaudited)	(unaudited)
Logistics, financial and other services .....	2,272.4	2,711.2	1,784.0	269.6	1,867.0	2,078.0	314.0
Shipbuilding, ship repair and offshore engineering.....	6,604.9	8,488.0	8,616.6	1,302.2	2,664.0	1,782.0	269.3
Ship ancillary products and services .....	907.4	1,635.0	1,786.2	269.9	641.0	739.0	111.7
Research and development.....	771.7	961.3	916.3	138.5	363.0	363.0	54.9
<b>Total Gross Profit .....</b>	<b>10,556.3</b>	<b>13,795.5</b>	<b>13,102.9</b>	<b>1,980.2</b>	<b>5,535.0</b>	<b>4,962.0</b>	<b>749.9</b>

### Logistics, Financial and Other Services

To diversify our businesses and build our integrated and well-rounded service capabilities, we established our logistics, financial and other services business segment to achieve increased revenue, complete our value chain and optimize our business structure. We provide logistics, international trade, financial, general contracted engineering and consulting services.

### ***Logistics Services***

We provide logistic services for centralized purchases of marine materials and equipment, whole industry chain and bulk commodity trading of energy and resources. We also provide logistics services for trading of steel, iron ore, energy and complete sets of equipment, use of renewable resources and financial services. We derive revenue from providing storage, transportation, loading, handling, distribution and information processing services. As of June 30, 2018, we had established business relationships with around 450 enterprises and set up our logistics supply system, covering six areas, including steel, iron ore, energy, complete sets of equipment, use of renewable resources and financial services.

### ***International Trade Services***

We provide international trade services to clients of over 40 countries for imports and exports of civilian and military products, vessels, marine equipment and materials and offshore engineering.

### ***Financial Services***

We provide financial services for capital management and operations and finance lease services. Our subsidiary Zhong Chuan Finance Co., Ltd. acts as our capital management and operation platform and provide settlement, credit and foreign exchange services. Our subsidiary Zhong Chuan Investment and Development Co., Ltd. make financial investments and equity investments. Our subsidiary CSCC (Hong Kong) Shipping Co., Ltd. provide ship rental services.

### ***General Contracted Engineering Services***

We provide general contracted engineering services, including consultation, planning, design, survey, general contracting, engineering supervision, project management and environmental assessment of domestic and international projects. We also provide general contracted engineering services for shipyards and industrial block, landscape, real estate, hydraulic sector, geotechnical and hydro-geological projects.

### ***Consulting Services***

We provide consulting services for training, education, media and tourism. Related services include standard and reliability services, decision making consultation and information services, education and training services, media and sound services, inbound-outbound sightseeing services, catering and accommodation services, medical services, real estate and property management services, and investment and management services.

In 2015, 2016 and 2017 and the first half of 2018, our revenue from logistics, financial and other services was RMB98,944.0 million, RMB114,791.5 million, RMB116,919.1 million (US\$17,669.2 million) and RMB38,661 million (US\$5,842.6 million), respectively, representing 52.4%, 58.1%, 58.3% and 54.1%, respectively, of our total revenue of our business segments.

## **Shipbuilding, Ship Repair and Offshore Engineering**

### ***Shipbuilding***

Shipbuilding is still one of our core businesses. We currently offer a wide spectrum of shipbuilding products that include the following three major types:

#### ***Bulk carriers***

Our main offerings for bulk carriers include 250,000 DWT VLOC, 230,000 DWT VLOC, CAPE (cape of good hope) series of bulk carriers (176,000 DWT, 180,000 DWT, 181,000 DWT, 206,000 DWT and 208,000 DWT), 122,000 DWT Mini CAPE bulk carriers, 116,000 DWT Mini CAPE bulk carriers, 87,000 DWT Post-Panamax bulk carriers, 82,000 DWT Kamsarmax bulk carriers, 78,000 DWT Panamax bulk carriers, 76,000 DWT bulk carriers, Supramax series of bulk carriers (64,000 DWT, 57,000 DWT and 53,000 DWT) and handysize series of bulk carriers (32,000 DWT, 35,000 DWT, 45,000 DWT, 39,000 DWT and 49,000 DWT).

## Tankers

Our main offerings for tankers include VLCC series of tankers (320,000 DWT, 319,000 DWT, 316,000 DWT, 308,000 DWT, 304,000 DWT and 297,000 DWT), Aframax series of tankers (115,000 DWT, 110,000 DWT, 108,000 DWT and 105,000 DWT), 76,000 DWT Panamax tanker and 72,000 DWT Panamax tanker, MR series of oil tankers (55,000 DWT, 52,300 DWT, 51,800 DWT, 50,500 DWT, 50,000 DWT and 48,000 DWT) and handy series of tankers (39,000 DWT, 38,500 DWT and 37,500 DWT).

## Container ships

Our main offerings for container ships include large-size container ships (16,500 TEU, 13,500 TEU, 12,500 TEU, 10,000 TEU, 9,000 TEU, 8,888 TEU, 8,530 TEU and 6,800 TEU), medium-size container ships (5,688 TEU, 5,000 TEU, 4,800 TEU, 4,600 TEU, 4,250 TEU, 3,800 TEU, 3,600 TEU, 3,500 TEU, 3,400 TEU) and small-size container ships (3,000 TEU, 2,800 TEU, 2,200 TEU, 1,900 TEU, 1,700 TEU, 1,400 TEU, 1,100 TEU).

We also build special purpose vessels, including chemical tankers, LNG carriers and LPG carriers and other multi-purpose ships and carriers, such as semi-submersible vessels, heavy lift vessels, multi-purpose ships, self-unloading bulk carriers, dredgers, RO/RO ships, 5,600 ton strait train ferries, 2,600 ton two-arm lever lifting vessels, high-speed hydrofoils and swath traffic boats. Since 2013, we have developed over 260 economic and environmental friendly types of ships and launched 245 of them to the market. With low fuel consumption and emission, remarkable performance and high competitiveness, these environmental friendly types of ships have been well received by the market and 141 of them have received orders since we launched them in the market. In addition, we build military equipment, including naval ships, surface and underwater vessels, missile frigates, missile destroyers, missile boats, space-tracking ships, hospital ships, auxiliary ships and dock landing ships.

The following table sets forth our major shipbuilding subsidiaries and the types of ships they build:

<b>Subsidiary</b>	<b>Types of Ships</b>	<b>Annual building capacity (DWT)</b>
Jiangnan Shipyard (Group) Co., Ltd. (江南造船(集團)有限責任公司)	Bulk carriers, container ships, chemical and tankers, and LNG and LPG vessels	1.5 million
CSSC Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. (滬東中華造船(集團)有限公司)	LNG and LPG vessels, container ships, oil tankers, bulk carriers, and other types of commercial vessels	3.8 million
Shanghai Waigaoqiao Shipbuilding Co., Ltd. (上海外高橋造船有限公司)	Bulk carriers, oil tankers, jack-up drilling rigs, semi-submersible offshore drilling platforms, container ships, and LNG vessels	2.6 million
Chengxi Shipbuilding Co., Ltd. (中船澄西船舶修造有限公司)	Bulk carriers, multi-purpose vessels, container ships, chemical and product tankers	1.5 million
Guangzhou Shipyard International Company Limited (廣船國際有限公司)	Oil tankers, semi-submersible vessels, and LPG vessels	7.0 million
CSSC Huangpu Wenchong Shipbuilding Co., Ltd. (中船黃埔文沖船舶有限公司)	Semi-submersible vessels, pipe laying vessels, bulk carriers and container vessels	1.4 million

For the year ended December 31, 2015 we completed and delivered 223 vessels, including 64 bulk carriers, 19 oil tankers, 28 container ships, two multi-purpose ships and carriers and 110 other types of vessels. For the year ended December 31, 2016 we completed and delivered 163 vessels, including 45 bulk carriers, 26 oil tankers, 14 container ships, seven multi-purpose ships and carriers and 71 other types of vessels. For the year ended December 31, 2017 we completed and delivered 187 vessels, including 47 bulk carriers, 37 oil tankers, 20 container ships, six multi-purpose ships and carriers and 77 other types of vessels. For the six months ended June 30, 2018 we completed and delivered 53 vessels, including nine bulk carriers, ten oil tankers, 12 container ships, two multi-purpose ships and carriers and 20 other types of vessels.

### *Shipbuilding Bases*

In addition to our eight shipbuilding subsidiaries, as of June 30, 2018, we had three shipbuilding bases, namely, Shanghai Changxing Shipbuilding Base (上海長興造船基地), Guangzhou Longxue Shipbuilding Base (廣州龍穴造船基地), Shanghai Waigaoqiao Shipbuilding Base (上海外高橋造船基地). Set forth below are brief descriptions of our three shipbuilding bases:

#### *Shanghai Changxing Shipbuilding Base (上海長興造船基地)*

Our Shanghai Changxing Shipbuilding Base is located along the southern shore of Changxing Island, Shanghai, at the mouth where the Yangtze River empties into the sea, with a shoreline of eight kilometers and water depth of 12 to 16 meters. Its main products include VLCCs, large container ships, bulk carriers, as well as various high-tech ships, such as LNG carriers, offshore units and cruise ships.

#### *Shanghai Waigaoqiao Shipbuilding Base (上海外高橋造船基地)*

Our Shanghai Waigaoqiao Shipbuilding Base is located at the mouth of the Yangtze River in Shanghai Pudong New District. The base covers a total area of 2.1 million square meters with a water front of 1,500 meters. Our Shanghai Waigaoqiao Shipbuilding Base has developed five product series, namely, capsize bulk carriers, Aframax product/crude oil tankers, VLCCs, large FPSOs and 3,000-meter deepwater semi-submersible drilling rigs.

#### *Guangzhou Longxue Shipbuilding Base (廣州龍穴造船基地)*

Our Guangzhou Longxue Shipbuilding Base is located in the Northeast of Longxue Island, Nansha District, Guangzhou, at the mouth where the Pearl River runs into the sea, with a shoreline of 4.5 kilometers and 1.3 kilometers inward of the island from the shore. Its main products include VLCCs, large container ships, VLOCs and large LPG/LNG carriers.

In 2015, 2016 and 2017 and the first half of 2018, our completed orders were 11.9 million DWT, 9.7 million DWT, 13.1 million DWT and 4.5 million DWT, respectively, and our received new orders were 6.9 million DWT, 6.8 million DWT, 9.7 million DWT and 4.0 million DWT, respectively, for the corresponding periods. As of December 31, 2015, 2016 and 2017 and June 30, 2018, our total order book was 32.3 million DWT, 28.5 million DWT, 25.1 million DWT and 24.6 million DWT.

### *Ship Repair*

Our ship repair business includes ordinary sea damage dock repairs, large conversion projects, overhaul of old ships, repair of new and large special purpose vessels, repair and maintenance of onboard equipment and large-scale ship retro fittings.

All of our shipyards are well equipped with advanced equipment for dock repairing as well as testing and measuring facilities, which enables us to conduct a wide range of repairing work, including ordinary sea damage dock repairing, old ship repairing, new and large special purpose vessel repairing and large conversion projects. Chengxi Shipbuilding Co., Ltd. (中船澄西) is one of our major subsidiaries for ship repairing. Located in Jiangyin, Jiangsu province, it has two ship repairing and shipbuilding bases in central China and one ship repairing base in Guangzhou, all of which have an annual capacity of repairing over 600 vessels up to 300,000 DWT. With our strong ship repairing capability, we are able to provide quality and timely ship repairing service at a reasonable price.

In 2015, 2016 and 2017 and the first half of 2018, we repaired 691, 669, 743 and 320 ships, respectively, amounting to 30.3 million DWT, 27.3 million DWT, 29.1 million DWT and 10.7 million DWT, respectively, for the corresponding periods.

### ***Offshore Engineering***

We conduct research and development of, provide technological services for, and build, convert, repair and disassemble various offshore engineering equipment. Our offshore engineering include three major businesses, including offshore survey and drilling activities, offshore production installation and offshore support vessels. Our offshore survey and drilling business provides research and development, engineering and construction services for seismic vessels, engineering survey and scientific research ships, jack-up rigs, semi-submersible rigs, drilling ships and submersible rigs. Our offshore production installation business provides research and development, engineering and construction services for FPSO, production semi, jacket rigs and topside modules. Our offshore support vessel business provides research and development, engineering and construction services for heavy lift and pipe lay vessels, semi-submersible heavy transport vessels, diving support vessels, ROV support vessels, float-over and launch barges, PSV, AHTS, multi-function standby vessels, oil recovery vessels and traffic boats and rescue vessels. Our offshore engineering equipment consists of “Offshore Units” and “Offshore Auxiliary Vessels.” “Offshore Units” include drilling rigs, drilling ships, Floating Production Storage and Offloading (FPSO), semi-FPS, TLP, spar, and LNGFPSO/FLNG. “Offshore Auxiliary Vessels” include streamer layer vessels, pipe layer vessels, heavy lift vessels, standby vessels, three-function working vessels, supply vessels, and seismic vessels. We successfully delivered the China’s first sixth generation 3000-meter deepwater semi-submersible drilling platform in 2012 and the Asia’s first 12-streamer seismic vessel in 2011. In December 2011, we successfully developed and delivered the world’s first 3000-meter deepwater exploration ship, which is the world’s first ship to have three functions of drilling, water engineering and exploration. We will continue to improve our research and development capabilities in offshore engineering and enhance the development of offshore engineering business through acquisition or merger with appealing targets in China or cooperation with renowned international players in this field, and aim to become the leading offshore engineering contractor in the world.

In 2015, 2016 and 2017 and the first half of 2018, our revenue from shipbuilding, ship repair and offshore engineering was RMB80,227.6 million, RMB71,880.6 million, RMB70,976.4 million (US\$10,726.2 million) and RMB24,903.0 million (US\$3,763.4 million), respectively, representing 42.5%, 36.4%, 35.4% and 34.9%, respectively, of our total revenue of our business segments.

### **Ship Ancillary Products and Services**

#### ***Power and Engine Equipment***

To integrate our resources of research and development, manufacturing and services, we established power and engineer equipment business to provide one-stop services for research and development, designing, manufacturing, sales and other services. Leveraging our experience on marine diesel engines, we expanded such business to land based power stations, integrated packages and power in construction machineries.

Our power equipment business includes research and design of, technological services for, manufacturing of, and after-sale services of various power equipment products. Our power equipment products include low speed diesel engines, medium speed diesel engines, land based power stations, turbines, dual fuel power units, propulsion units, packaged power equipment sets, and relevant complementary products. Two of our subsidiaries, namely, Hudong Heavy Machinery Co., Ltd. (滬東重機有限公司) and CSSC-MES Diesel Co., Ltd. (中船三井造船柴油機有限公司), together had an approximately 70% market share in China in terms of numbers of marine diesel engines manufactured in 2017 according to the data of Wärtsilä Switzerland Ltd. and MAN Diesel & Turbo SE, Germany, the two major international licensors for marine engines.

To further the development of our power and engine equipment business, we entered into a joint venture with a leading international engine manufacturer based in Europe in July 2014 to acquire the majority interest of its engine business in Switzerland. In addition, we entered into a second joint venture in the same month with the same company to manufacture medium speed engines in a production base in Shanghai.

## ***Mechanical and Electrical Equipment***

Our mechanical and electrical business focuses on environmental protection, renewable energy, packaged mechanical and electrical equipment sets which conform to China's national development plan. This business line includes research and design of, technological services for, manufacturing of, and after-sale services for various mechanical and electrical products. Our mechanical and electrical products include (i) marine and offshore equipment such as on-board machinery and cabin machinery; (ii) packaged equipment sets such as construction machinery, port and mine machinery, shield, elevators and security devices; (iii) energy saving and environment protection equipment for electricity generation through waste incineration, municipal sewage disposal and desalination of sea water; (iv) energy equipment for LNG, offshore wind power and nuclear power; and (v) certain non-ship products such as steel structures.

## ***Information and Control Technology***

To provide integrated information technology services covering the fields of army, navy, air force and aerospace, we have allocated and consolidated our internal resources on information technology, which enables us to provide both civil and military products as well as marine and land use equipment. Our information and control technology business revolves military electronic information equipment, civilian ship electronics, ships information and non-ship electronic information.

We provide research and development design of, technical services for, production and construction of, and after sale services of various products relating to information and control technology for the fields of military electronic information equipment, civilian ship electronics, ship information and non-ship electronic information. Our information and control technology products include systems and equipment of naval vessel electronic weapons, aviation security, integrated platform management, navigation, integrated electronic information, integrated stealth, ships information and control, non-ship information and control, enterprise information services, computer hardware and software, information security assessment, software testing, e-commerce, and e-medicine.

In 2015, 2016 and 2017 and the first half of 2018, our revenue from ship ancillary products and services was RMB5,527.6 million, RMB6,833.1 million, RMB8,449.0 million (US\$1,276.8 million) and RMB5,319.0 million (US\$803.8 million), respectively, representing 2.9%, 3.5%, 4.2% and 7.4%, respectively, of our total revenue of our business segments.

## **Research and Development**

We have eight research and development subsidiaries, among which, the Marine Design & Research Institute of China (MARIC), Shanghai Merchant Ship Design & Research Institute (SDARI) and Guangzhou Marine Engineering Corporation (GUMECO), are the most renowned ship and offshore design institutes in China. We also own 12 nationally accredited enterprise technology centers, two national engineering laboratories, one national engineering research center and one national energy research and development center.

We developed a number of environmentally friendly ships, which have substantially higher energy saving and environmental protection indicators. Our economic and technical norms of the three major ship types are of international standards, whereby oil consumption has been reduced by 20% to 40%, nitrogen oxide emissions have decreased by 30% to 90%, sulphur emissions have been reduced by 90% to 100% and the Energy Efficiency Design Index is 15% to 35% lower than the index's baseline value. We have been able to continue improve our product portfolio through research and development. For example, we successfully developed a LNG vessel with a capacity of 174,000 cubic meters, VLGC, VLEC with a capacity of 83,000 cubic meters, a large containership with a capacity of 18,000 TEUs and 3,000-meter deepwater semi-submersible drilling rigs.

In 2015, 2016 and 2017 and the first half of 2018, our revenue from research and development business was RMB3,946.7 million, RMB4,159.1 million, RMB4,225.0 million (US\$643.0 million) and RMB2,584.0 million (US\$390.5 million), respectively, representing 2.1%, 2.1%, 2.1% and 3.6%, respectively, of our total revenue of our business segments.



## DESCRIPTION OF OUR PRINCIPAL OPERATING SUBSIDIARIES

### China CSSC Holdings Limited (“CSSC China”)

CSSC China (originally Hudong Heavy Machinery Co., Ltd.) in 2007 issued 400,000,000 shares of RMB denominated common stock to its controlling shareholders CSSC, CSSC Finance Co., Ltd, Baosteel Group Corporation Limited, China Life Insurance (Group) Company, China National Offshore Oil Corporation, China, CITIC Group Corporation (originally CITIC Group) and National Social Security Fund. Through this private placement, CSSC initially completed the overall listing of its core civil product business.

The major business of CSSC China consists of shipbuilding (including marine engineering equipment), ship repair and core ancillary products. The business of CSSC China’s subsidiaries are as follows:

Business	Subsidiary	Business Description
Shipbuilding (including marine engineering equipment)	Waigaoqiao Shipbuilding Base (including Jiangnan Changxing Shipbuilding Base)	Large bulk carriers and large oil tankers: bulk carriers (over 100,000 DWT), Aframax oil tankers, very large crude carrier (VLCC) (over 200,000 DWT), FPSO, semi-submersible offshore platforms and other marine
Ship Repair	Chengxi Shipbuilding Co., Ltd.,  Chengxi Shipbuilding Co., Ltd., Guangzhou Dockyard	engineering equipment 53,000 DWT Ship conversion Ordinary repairing: steel engineering for ship hull, mechanical and electrical maintenance and repair for ship hull; ship hull
Core Ancillary Products	Hudong Heavy Machinery Co., Ltd.  CSSC-MES Diesel Co., Ltd.	Powerful low speed diesel engine (cylinder diameter below 700mm) Powerful low speed diesel engine (cylinder diameter over 700mm)

CSSC China has a scalable advantage in respect of shipbuilding, ship repair and core ancillary products. The indicators for each of its business segments are in the leading position in domestic market and meet international top-class standard.

As the capital operation platform for core civil products business under CSSC, CSSC China has the strategic objective of becoming an international top-class listed company in the shipping industry and achieving international competitive power in three business segments: large civil shipbuilding, powerful low speed diesel engine manufacturing and ship repair.

### CSSC Offshore & Marine Engineering (Group) Company Limited (“COMEC”)

COMEC issued H-shares and A-shares to the public and was simultaneously listed in both Hong Kong and Shanghai in 1993. It was one of the first shipbuilders listed in both PRC and Hong Kong. Its core business is shipbuilding, focusing on developing and building handy-size tanker ships. The company also produces special high-tech vessels, such as RO/RO vessels, RO/RO passenger vessels and semi-submersible heavy lift vessels. In addition, it produces steel structures of large bridges and buildings and manufacturing machinery.

The ships built by COMEC are concentrated on chemical carriers (30,000 DWT to 60,000 DWT), refined oil tankers and crude oil tankers. COMEC is the representing shipbuilder that builds handy-size oil tankers in China, as well as China’s largest and the world’s fourth-largest handy-size tanker ship builder. Relying on the cost advantage of China’s shipbuilding industry and increasing technique level and efficiency for shipbuilding, we believe COMEC’s market share in handy-size tanker ship segment still has room for future increase.

COMEC has established the credential of building advanced semi-submersible transport vessel and RO/RO passenger vessels. It successfully built a semi-submersible transport vessel (the first in China and the most advanced in the world) for the COSCO Group in 2002 and a luxury RO/RO passenger vessel for Rederi AB Gotland, Sweden, the first of its kind in China. COMEC won shipbuilding contracts to construct two 50,000 DWT semi-submersible vessels in 2007 and won shipbuilding contracts to construct four RO/RO passenger vessels in 2008. COMEC currently has a strong comparative advantage in producing high value-added and high-tech special vessels in China.

COMEC's strategic objective is to become an international top-class listed shipbuilding company. For this purpose, the company will continue to seek development in the shipbuilding field, strengthen its leading position in the global handy-size shipbuilding market and increase its market share in value-added and high-tech special vessel. In addition, COMEC will expand the scale of its non-shipbuilding products and services.

#### **Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. ("Hudong-Zhonghua")**

Hudong-Zhonghua is a core shipbuilding subsidiary of ours with a history of over 80 years. It has realized an annual shipbuilding capacity of over 2.0 million tons and annual turnover of RMB16.4 billion. Over the years of development, Hudong-Zhonghua has built more than 3,000 vessels of various types.

With major production areas located on both banks of the lower reaches of the Huangpu River, near Shanghai, Hudong-Zhonghua covers an area of over 800,000 square meters and has a wharf line length of over 1,660 meters. It is equipped with one 360m×92m dry dock, two 700-DWT gantry cranes, one 120,000-DWT class shipbuilding berth, one 80,000-DWT class shipbuilding berth, two 20,000-DWT class shipbuilding berths and varieties of up-to-date shipbuilding facilities, such as flat panel production lines, large NC laser cutting machines, large NC milling machines and insulation box production lines for LNG carriers, etc. It has a rich product mix, producing military vessels, ultra-large LNG carriers, ultra-large container vessels, product carriers, crude oil carriers, bulk carriers, specialized carriers as well as offshore engineering plants and ultra-large steel structures.

Additionally, Hudong-Zhonghua owns two block fabrication bases at Changxing and Chongming islands and over 20 investment enterprises, with businesses covering ship repairs, conversions and manufactures of marine pre-launching items, piping items, outfitting items, valves, power stations and steel structures, as well as social services concerned with shipbuilding. It is one of the few shipbuilding enterprises in China covers the entire shipbuilding supply-chain.

Hudong-Zhonghua has set up a state-class technology center and a post-doctoral R&D work station and employs more than 1,400 engineers and technicians with various specializations. It has been among the top Chinese shipbuilders in ship development and design, especially the LNG carrier and related industry segments. Hudong-Zhonghua has been a leading player and won exclusive contracts to build the 16 LNG carriers under five LNG import projects in China. Hudong-Zhonghua has established a set of four digital shipbuilding information management systems, realizing integration and synergy of design, manufacture and management. The self-developed SPD shipbuilding design system has gained wide application in more than 200 enterprises and institutes in China.

In addition to shipbuilding, Hudong-Zhonghua is one of the earliest Chinese shipbuilding enterprises to enter the offshore engineering sector. It has also earned a reputation in the fabrication of large steel structures, and has undertaken many ultra-large steel structure projects.

Hudong-Zhonghua has obtained ISO 14001:1996 Environment Management System certification and OHSAS 18001:1999 Occupational Health and Safety Management System certification awarded by Lloyds Quality Certification Company and established an advanced Health, Safety and Environment (HSE) management system representing advanced safety management standard in the shipbuilding industry.

#### **CSSC Huangpu Wenchong Shipbuilding Co., Ltd ("Huangpu Wenchong")**

In December 2013, CSSC Guangzhou Huangpu Shipbuilding Co., Ltd changed its name to Huangpu Wenchong after acquiring Guangzhou Wenchong Shipyard Co., Ltd. from the Company. Huangpu Wenchong currently has three main production areas. The Changzhou production area of the company is situated on

Changzhou Island at the southeast Guangzhou. The Longxue production area is situated on Longxue Island at the Longxue shipbuilding base, Nansha District of Guangzhou. The Wenchong production area is located in the Huangpu District of Guangzhou. The company is a key subsidiary of CSSC and is one of the core military production enterprises in China. It is the main production base for naval vessels, special engineering ships and marine engineering in southern China. The company has obtained a military production certificate.

The Changzhou production area of the company owns the largest indoor shipbuilding workshop in southern China, and has painting capacity of 300 square meters per day, annual piping process capacity of 6,000 pieces and monthly steel pretreatment capacity of 1,300 tons. It is equipped with varieties of up-to-date pre-launching, processing, lifting and transportation facilities, such as 12,000 tons of lifting floating dock, digital plasma cutting machine, cold frame bending machine, 120 tons gantry crane and 150 tons flat trunk. The company has a strong research and development team and advanced computer 3D design workstation.

The Wenchong production area is able to build up to 20 of the following types of vessels: 1,200 TEU, 1,400 TEU, 1,500 TEU, 1,700 TEU, 2,800 TEU and 3,500 TEU feeder container vessels, middle and large suction hopper dredgers, trailing suction hopper dredgers, bulk carriers and multi-purposes vessels. It also engages in the manufacturing, installation, mechanical equipment maintenance and steel structures production businesses. Its building site is a 25,000 DWT building basin, equipped with one 25,000 DWT and one 60,000 DWT dock and other advanced equipment such as gantry, digital burning machines, heat treatment shops, revolving cranes.

#### **Jiangnan Shipyard (Group) Co., Ltd. (“Jiangnan Shipyard”)**

Jiangnan Shipyard’s predecessor was the oldest military shipbuilding enterprise in China, established in 1865. The Company was restructured to Jiangnan Shipyard (Group) Co., Ltd. in 1996 and officially moved to the CSSC Jiangnan Changxing Shipbuilding Base in 2008. Jiangnan Shipyard, together with other two shipyards, operates in the Changxing Shipbuilding Base. The Changxing Shipbuilding Base is situated on Changxing Island at Yangtze River estuary and covers an area of 5,800,000 square meters. Its major business cover four large docks, seventeen outfitting wharves, and it is planning an annual shipbuilding capacity of 4.5 million tons for civil vessels.

#### **CSSC Industry Logistics Co., Ltd. (“CSSC Logistics”)**

We established CSSC Logistics in August, 2012 on the basis of our Materials Department. Its main business activities include trading of metals, mineral products, chemical products, electromechanical facilities, shipbuilding facilities; sea, air and international cargoes transport and freight storage; and import and export of goods and technologies. We have adopted a centralized procurement system, under which our raw materials and major equipment are purchased through CSSC Logistics as our procurement platform. CSSC Logistics has stable supply channels and a stable customer base. It also established strategic partnerships with a number of major shipbuilding enterprises, iron and steel enterprises, well-known electromechanical facilities manufacturers and energy companies.

#### **CSSC Nanjing Luzhou Machine Co., Ltd.**

CSSC Nanjing Luzhou Machine Co., Ltd. specializes in product design, development, production, and sales and technical services and has passed ISO9001: 2000 standards. In order to embrace the international market, the company successively cooperated with Germany, Norway, Sweden, Denmark, Britain and other countries to continuously develop new products and expand product portfolio. The company mainly produces engineering deck machinery (e.g., ship cranes, anchor winches), cabin machinery (e.g., rotary steering servo, centrifugal separation machinery, incinerators, sewage treatment facility, seawater desalination, plate heat exchangers, etc.), life-saving appliances and electrical control equipment.

#### **CSSC Marine Power Co., Ltd. (“CMP”)**

CMP is a subsidiary of ours located in Zhenjiang, Jiangsu. It manufactures various types of machinery products, including marine diesel engines, turbo chargers, marine auxiliary machineries, lifting equipment, marine propellers, and other relevant parts and components. Currently, CMP is able to produce up to 1,100 sets of large-bore/medium-speed per year and has an aggregate capacity of manufacturing small-bore/low-speed diesel engines of approximately 4.0 million horsepower per year.

### **CSSC (Hong Kong) Shipping Co., Ltd. (“CSSC HK”)**

CSSC HK is our offshore subsidiary incorporated in Hong Kong on June 25, 2012 for the purpose of diversifying our business structure. CSSC HK principally engages in ship rental and sales, marine transportation, ship management, investment, importation of marine engineering equipment, crew management, and other shipping-related businesses.

### **China Shipbuilding NDRI Engineering Co., Ltd (“NDRI”)**

NDRI was established on the basis of the Ninth Design and Research Institute of CSSC. It is committed to providing services such as engineering consulting, design and contracting for large projects. NDRI specializes in engineering design, consulting and supervision in fields such as shipbuilding, machinery, military industry, architecture, municipal engineering, environmental protection, etc.

### **China Shipbuilding Trading Co., Ltd. (“CSTC”)**

China Shipbuilding Trading Co., Ltd. (CSTC) was founded in 1982. Since then, CSTC has been an active participant in the global maritime market. The company’s services cover various types of vessels, from conventional vessels to those with cutting-edge technologies, such as LNG carriers, VLCCs, chemical carriers, ultra large container lines, FPSOs, deluxe passenger/car ferries, large bulk carriers, and work vessels. The company’s clients are from Germany, Norway, Italy, Belgium, Denmark, Sweden, Hong Kong, Greece, U.S., Japan, etc.

### **Zhong Chuan Finance Co., Ltd. (“CSSC Finance”)**

CSSC Finance is a non-bank financial institution set up by us on 8 July, 1997 upon the approval of the People’s Bank of China and supervised by the China Banking Regulatory Commission. It primarily provides financial services for our other subsidiaries, including:

- cash deposits;
- working capital and other loans;
- discount notes;
- finance leases;
- insurance agency (including shipbuilder’s insurance, ship repair liability insurance, property insurance, cargo transport insurance, river hull insurance, automobile insurance); and
- spot purchase and sale of foreign exchange.

CSSC Finance also provides credit support to select customers of our products. In 2014, CSSC Finance received approval from the Shanghai Branch of SAFE (國家外匯管理局上海市分局) (“**SAFE Shanghai Branch**”) to establish onshore and offshore accounts to pool together the foreign currency of our onshore and offshore entities. Within our overall overseas lending and foreign debt quotas set by the SAFE Shanghai Branch, we can now perform automated foreign currency transfers between our designated onshore and offshore accounts and better manage our foreign currency liquidity. As of the date of this offering circular, our overseas lending quota and foreign debt quota were approximately US\$3.9 billion and US\$362.9 million, respectively.

## **CUSTOMERS**

We have a diversified customer base. Since the commencement of our operations, we have been able to develop a strong relationship with our customers, particularly our major customers. Some of our major customers have an over 30-year business relationship with us. We have also established long-term relationships with the major state-owned shipping groups. In addition, we have maintained strategic cooperation relationships with the national oil companies. In the overseas market, our customers mainly include international shipping companies and oil companies. As of June 30, 2018, we had more than 400 customers in total.

In 2015, 2016 and 2017 and the first half of 2018, our top five customers accounted for approximately 23.8%, 20.8%, 26.4% and 31.3%, respectively, of our revenue. Our largest customer accounted for approximately 17.7%, 10.5%, 11.5% and 7.8%, respectively, of our revenue for the corresponding periods.

## **RESEARCH AND DEVELOPMENT AND INTELLECTUAL PROPERTY**

We rely on a variety of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance our competitive position. As such, scientific and technological innovation plays an important role in driving our growth. We have made continuous efforts to improve our innovation framework, technology management policies and talent incentive scheme. We have also pushed ahead with rapid commercialization of achievements in our research and development efforts in recent years.

We have eight research and development subsidiaries, among which, the Marine Design & Research Institute of China (MARIC), Shanghai Merchant Ship Design & Research Institute (SDARI) and Guangzhou Marine Engineering Corporation (GUMECO), are the most renowned ship and offshore design institutes in China. We also own 12 nationally accredited enterprise technology centers, two national engineering laboratories, one national engineering research center and one national energy research and development center. Our research and development focus on design and development of ships for civil uses or warships, offshore engineering and marine equipment, research of shipbuilding technology, precision testing equipment shipbuilding standardization and other scientific research, and businesses relating to engineering project designing and supervision. In 2014, we successfully developed, designed and built our first 18,000 TEU ultra-large container ship and jack-up rig.

As of June 30, 2018, we owned approximately 4,536 valid patents.

## **PROCUREMENT**

Our raw materials consist primarily of steel, paint and cables, and our major equipment consist primarily of main engines, generators and deck machinery. We purchase from third parties some of our raw materials and major equipment for our products and services. We have adopted a centralized procurement system, under which our raw materials and major equipment are purchased through CSSC Logistics, our wholly owned subsidiary. To lower the cost of procurement, we established a target cost management system, which requires us to compare quotes provided by different suppliers to ensure that we get the offer which meets our targeted price. We purchase our large equipment through bidding. We believe that we have established long-term business relationships with our key suppliers such as steel factories to ensure a stable supply and timely delivery of high-quality raw materials and equipment. We have not experienced any major difficulties in procuring raw materials necessary for performing our services and manufacturing our products. In 2015, 2016 and 2017 and the first half of 2018, purchases from our five largest suppliers accounted for approximately 84.4%, 67.3%, 70.3% and 82.2%, respectively, of our total purchases. Our largest supplier accounted for approximately 49.0%, 32.6%, 51.3% and 71.6%, respectively, of our total purchases for the corresponding periods.

According to a report issued by the Inspection Leading Group on February 5, 2015, there may be certain deficiencies in our procurement system, resulting in certain employees and their family members profiting from illegitimate gains, overruns in the procurement budget and lack of transparency and competitiveness in the procurement process. Going forward, we plan to rectify such deficiencies based on the recommendations given by the Inspection Leading Group. For further details, see “Risk Factors – Risks Relating to Our Business – We are subject to certain negative findings by an inspection team from the Central Leading Group for Inspection Work.”

## **PROPERTY**

We own land use rights, buildings, service stations and other properties across China and overseas. Our corporate headquarters are located in Beijing, PRC.



## **COMPETITION**

The shipbuilding industry is highly competitive. Our competitors include PRC domestic shipbuilders, which include other large state-owned shipbuilding enterprises, as well as shipbuilding enterprises from South Korea and Japan. We compete on our ability to fulfill our contractual obligations, our yard capacity and capabilities, our relationship with our key customers, our reach and development capabilities, shipbuilding technique design, price, after-sale service and quality of the vessels we construct.

## **HEALTH, SAFETY AND ENVIRONMENT**

We are committed to occupational health management and put the safety and well-being of our employees at the forefront and we strive to maintain the strict compliance with relevant laws and regulations.

We are subject to various PRC environmental laws and regulations, including laws and regulations related to air and water quality, limitations on the discharge of pollutants into the environment and standards for the treatment, storage and disposal of toxic and hazardous wastes. We believe that our businesses are in compliance with currently applicable national, local and foreign environmental laws and regulations in all material respects except that those would not have, individually or in the aggregate, material adverse effect on our business and operation. Since 2011 and as of the date of this offering circular, except as disclosed in this offering circular, we had not encountered any material issues relating to environmental matters or been subject to any material administrative penalties which would have adverse effect on our business and operation due to any activities that may pollute the environment.

## **EMPLOYEES**

As of June 30, 2018, we had 131,377 employees. Our employees in China participate in various basic social insurance plans organized by municipal and provincial governments whereby we are required to make monthly contributions to these plans at certain rates of the employees' salary as stipulated by relevant local regulations. In addition, we provide our employees with physical examinations, paid leave, critical illness relief and other benefits.

All of our subsidiaries and our Company have labor unions in place. The unions assist in protecting employees' rights, organizing educational programs, fulfillment of economic objectives, encouraging employee participation in management decisions and assisting in mediating disputes between us and individual employees. Since 2010 and as of the date of this offering circular, we and our subsidiaries have not experienced any strikes, work stoppages, labor disputes or actions which adversely affected the operation of any of their respective businesses in all material respects. We believe that we and our subsidiaries maintain good relationships with our and their respective employees in all material respects.

## **COMPLIANCE**

To manage the complexity and risks associated with our operations, we have established corporate governance and internal control structures to ensure operational, legal, financial and ethical compliance in all aspects of our business. We also seek to continuously improve our corporate governance, internal control and risk management to keep pace with our changing business environment. Our internal control system is primarily based on self-assessment by our subsidiaries, and supplemented by random spot checks from our headquarters. We have tightened audits of key investment projects, oilfield joint ventures, overseas assets and internal control management. We continuously strengthen the supervision over management and staff members of our subsidiaries, especially in their implementation of the decisions and plans of the Company and in their decision-making relating to key issues, appointment and dismissal of key officers, investment in key projects and significant funding use.



Our compliance activities also emphasize anti-corruption activities and ethical integrity. We frequently carry out supervisory activities to monitor management at all levels of our Group and investigate all complaints or allegations of violations, as well as provide training to all new employees and officers. We have also established an overseas compliance management framework for our overseas operations covering commercial bribery, conflicts of interest, management of our assets and other issues.

According to a report issued by the Inspection Leading Group on February 5, 2015, there may be a number of potential deficiencies in our corporate governance and internal control structures, including deficiencies in our procurement system and decision-making and personnel management practices as well as other questionable activities of certain employees. The Inspection Leading Group has also provided a series of recommendations for rectification of the aforementioned deficiencies. We will follow the recommendations to rectify the deficiencies to improve our corporate governance and internal control structures. See “Risk Factors – Risks Relating to Our Business – We are subject to certain negative findings by an inspection team from the Central Leading Group for Inspection Work.”

## **INSURANCE**

We maintain insurance coverage for our property, plant, equipment and certain assets that are subject to significant operating risks, third-party liability insurance against claims relating to personal injury, property and environmental damages that result from accidents and employer liabilities insurance. We believe that our insurance coverage is comparable to that of other companies engaged in similar businesses. Our operations are subject to hazards and risks inherent in shipbuilding fields and our other businesses. As protection against these operational risks, we maintain insurance coverage against most potential losses, including the loss of vessels, as well as liabilities related to costs of pollution control and environmental compliance.

## **LEGAL PROCEEDINGS**

We and our subsidiaries are involved in certain legal proceedings concerning matters arising in the ordinary course of business. We believe, based on currently available information, that these proceedings, individually or in the aggregate, will not have a material adverse effect on our results of operations or financial condition.

## DESCRIPTION OF LC BANK

*The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuers and the Company have taken reasonable care in the compilation and reproduction of the information. None of the Issuers, the Company, the Managers, the Trustee, the Agents or any of their affiliates, employees or professional advisers has independently verified such information. Save for the representation given by the Issuers and the Company on page ii of this offering circular, no representation or warranty, express or implied, is made or given by the Issuers, the Company, the Managers, the Trustee, the Agents or any of their affiliates, employees or professional advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon. The Issuers and the Company confirm that the information included below has been accurately reproduced and that as far as the Issuers and the Company are aware and are able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*The Bonds have the benefit of the Standby Letter of Credit which will be issued by Industrial and Commercial Bank of China Limited, Shanghai Branch as the LC Bank. Under PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by Industrial and Commercial Bank of China Limited (“ICBC”), and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, ICBC would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit.*

## OVERVIEW

Originally founded on January 1, 1984 as a state-owned specialised bank, ICBC became a state-owned commercial bank in 1994 based on the authorisation of the State Council and the People’s Bank of China. It was subsequently converted into a joint stock commercial bank on October 28, 2005 under the Company Law of the People’s Republic of China. ICBC’s registration number is 100000000003965 and is headquartered in Beijing with operations in China and overseas regions. The shares of ICBC are traded on the Hong Kong Stock Exchange (stock code: 1398) and the Shanghai Stock Exchange (stock code: 601398). ICBC’s registered office as well as its principal place of business in the PRC are located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing 100140, PRC. ICBC’s principal place of business in Hong Kong is located at 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong. ICBC has been assigned ratings of “A” by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., “A1” by Moody’s Investor Service, Inc. and “A” by Fitch Ratings Ltd.

Through ICBC’s continuous efforts and solid growth, ICBC was ranked the 1st place among the Top 1000 World Banks by The Banker, ranked 1st place in the Global 2000 listed by Forbes, topped the sub-list of commercial banks of the Global 500 in Fortune for the fifth consecutive year, and took the 1st place among the Top 500 Banking Brands of Brand Finance for the second consecutive year.

ICBC provides clients with a wide range of financial products and services and has formed a crossmarket, internationalised and integrated business model with a focus on commercial banking. ICBC has maintained a leading position in the PRC market in most of the core and emerging businesses of commercial banks.

ICBC believes that “Industrial and Commercial Bank of China” is one of the most recognised financial service brand names in the PRC with great international influence. ICBC has won numerous awards over the years, including:

- 1st place among the Global 2000 by Forbes in 2017 in terms of combination of sales, profit, assets and market value;
- 1st place among the Top 1000 World Banks by The Banker in 2017 in terms of tier 1 capital of a bank;
- “World’s Best Emerging Markets Bank”, “Best Bank in China” and “Best Corporate Bank in China” by Global Finance in 2017;

- “The Asset Corporate Award – Platinum Award”, “Best Private Bank in China” and “Best Bond Advisor in China” by The Asset in 2017;
- “Best (Mega) Private Bank in China”, “The Best (Mega) Cash Management Bank in China”, “Best (Mega) Transaction Bank in China” and “Custodian Bank of the Year” by The Asian Banker in 2017;
- “Best Bank in China” and “Best DCM House” by FinanceAsia in 2017;
- “Best Domestic Bank in China”, “Best Private Bank in China” and “Best Private Bank for Global Investment Exposure” by Asiamoney in 2016; and
- “Best Emerging Markets Bank” and “Best Bank in China” by UK’s Euromoney in 2015, becoming the first Asian financial institution to win this global award.

ICBC has won awards from various institutions including “Best Social Responsibility Financial Institution Award” by China Banking Association and “Best Social Responsibility Award” by JRJ.com.

## **BUSINESS**

The ICBC Group’s principal businesses include corporate banking, personal banking and treasury operations.

### **Corporate Banking**

The ICBC Group provides a series of corporate banking products and services to state-owned enterprises, privately-owned enterprises, foreign-invested enterprises, government authorities and other entities. The ICBC Group’s corporate banking products and services include corporate deposits and loans, small and medium enterprise business, institutional banking business together with the intermediary businesses including settlement and cash management, international settlement and trade finance, investment banking, asset custody service, pension services and precious metal business.

The ICBC Group’s corporate loans include short term loans and medium to long term loans. ICBC provides short term loans due within one year to corporate customers, which mainly include working capital loans (including trade finance loans), bills discounting, factoring and forfeiting loans. The term of the ICBC Group’s mid-to-long term loans generally ranges from one year to ten years, mainly including project loans, property loans, and syndicated loans. The ICBC Group’s corporate loans include working capital loans, project loans and property loans distributed by product line. The ICBC Group also provides corporate clients with multiple interest-bearing demand and time deposit services in RMB and major foreign currencies.

### ***Inclusive Finance***

The ICBC Group served small and medium enterprise customers in an all-round manner by building an independent system of small enterprise credit policies, processes and products and giving priority to credit resource allocation in this regard. The ICBC Group provides loans and various financing products and services to these customers, including products such as small business revolving loans, online revolving loans, standard plant mortgage loans, commercial housing mortgage loans and property building loans to small enterprises, and services such as financing services to supply chains surrounding core enterprises, and financial solutions to small and micro enterprises in specialised markets and industrial clusters.

### ***Institutional Banking***

The ICBC Group’s institutional banking services include RMB financing, payment and settlement agency, foreign exchange clearing, international settlement, trade finance, domestic foreign-currency payment and underwriting of financial bonds.

## ***Settlement and Cash Management***

The ICBC Group provides its clients with domestic clearing and settlement services, and provides large companies and their subsidiaries with comprehensive services such as centralised cash management and transfer. The ICBC Group expanded its cash management services into the comprehensive area of financial asset management and developed a service system underpinned by account transaction management, liquidity management, supply chain finance, investment and wealth management, in order to meet cash management requirements of fast developing industries including chain-store operations, culture, logistics, tourism and equipment manufacturing.

## ***International Settlement and Trade Finance***

The ICBC Group provides international trade finance and international settlement services to import and export enterprises, integrating financing, settlement, wealth management and trading to enhance its services. The ICBC Group also provides global supply chain products and integrated products denominated in RMB and foreign currencies.

## ***Investment Banking***

The ICBC Group's investment banking business mainly includes regular financial advisory service, enterprise credit service, investment and financing advisory service, syndicated loan arrangement and management service, corporate assets and debt restructuring service, corporate acquisition and merger service, underwriting of corporate debt financing instruments such as commercial paper, medium-term notes and financial bonds, direct investment advisory service, financial advisory service for corporate issuance of equities and bonds and service for equity investment funds.

## ***Personal Banking***

The ICBC Group's personal banking products and services include saving deposits, personal loans, personal wealth management, private banking and bank cards business:

The ICBC Group provides demand deposits and term deposits in RMB and foreign currencies. Customers can access their accounts through banking outlets, automated teller machines, cash deposit machines, as well as through facilities such as telephone banking, internet banking and mobile banking.

The ICBC Group offers a range of products loans to personal customers, including personal housing loans, personal consumption loans, cultural consumption loans, personal business loans, overseas study loans and credit card overdrafts. The ICBC Group also markets personal business loans targeting at key commodity trading markets and offers financing services to small- and medium-sized merchants.

## ***Private Banking***

The ICBC Group's private banking services include asset management, alternative investment, fully entrusted business, consulting, financial management, cross-border financing, wealth inheritance and other value-added services. Private banking centres were established in all domestic branches in China and areas with high concentrations of high net worth customers. The ICBC Group further expanded its overseas private banking business through its regional private banking centres, namely, Hong Kong, Europe, Singapore and the Middle East, with a focus on its private banking centre in Hong Kong.

## ***Bank Cards Business***

### ***Credit Card***

The ICBC Group is the largest commercial bank in the PRC in terms of the number of credit cards issued, the consumption volume via credit cards and the amount of overdraft. The ICBC Group offers a variety of credit cards, including transportation card, public servant card, PetroChina card, Mutual Fund Card and commercial flight card. The ICBC Group is focused on its expansion into the premium card market such as the platinum credit

card and black credit card. It launched an SMS credit card installment payment scheme to meet customers' demand for convenient financing and also developed credit card installment payment schemes for the purchase of cars, household electrical appliances, general merchandise, education, travel and culture.

#### *Debit Card*

The ICBC Group has issued RMB debit cards and dual currency debit cards, such as RMB-USD debit cards, to its customers. The ICBC Group is also focused on the issuance of co-brand debit cards and other innovative products such as the Pacific co-brand debit card with bank assurance function, Cool Pass debit card and China Travel debit card.

### **Asset management**

#### ***Wealth Management Business***

The ICBC Group offers wealth management products and services to individual customers, private banking customers, companies and institutions. Its corporate customers such as public welfare funds, pension customers and insurance companies. It markets exclusive wealth management products to important customers and key regions, targeting the Yangtze River Delta and the Pearl River Delta. The ICBC Group promotes its wealth management products through internet banking, E-shop platform, mobile banking and other electronic sales methods to enhance the convenience for the purchase of wealth management products. ICBC Asset Management (Global) officially opened in 2017, which is the center in investment research, products, sales and risk control for ICBC's global asset management business development.

#### ***Asset Custody Services***

The ICBC Group provides an array of custody services to securities investment funds, enterprise annuity, National Council for Social Security Fund, insurance companies, commercial banks, qualified foreign institutional investors (QFII), qualified domestic institutional investors (QDII) and other bank clients, including assets custody, investment clearing, accounting, transaction monitoring, collective payment and information disclosure services.

#### ***Pension Services***

The ICBC Group provides pension management and trusteeship services to personal accounts of basic pension funds and other pension funds. The ICBC Group built a diversified pension service system targeting at enterprise annuities, occupational annuities, basic pensions, social insurance funds, comprehensive pension funds of enterprises and public institutions and personal pension funds.

### **Financial Market Business**

#### ***Money Market Activities***

The ICBC Group closely monitors market developments and prudently selects counterparties to mitigate credit risk. It adopts prudent liquidity management policies and continually monitors the financial markets in order to seize suitable fund-raising opportunities. The ICBC Group also constantly evaluates the structure, terms and scale of its money market activities to reduce borrowing costs and improve yields.

#### ***Trading Book Business***

The ICBC Group's trading accounts are used to recognise and settle its proprietary trades, including trading of bonds and bills which are issued by the Chinese government, the People's Bank of China and foreign governments as well as derivatives, foreign exchange and foreign/local currency-dominated bonds transactions.

### ***Banking Book Investment***

The ICBC Group's banking accounts are used to calculate its investments which are made for holding purpose. Currently, the ICBC Group's investment portfolio includes RMB-denominated bonds which are issued by the Chinese government, the People's Bank of China, policy banks and other financial institutions in China. The ICBC Group also holds short-term commercial paper issued by domestic enterprises. In overseas markets, the ICBC Group invest in foreign currency bonds issued by foreign governments, financial institutions, corporate and international organisations.

### ***Franchise Treasury Business***

The ICBC Group offers a wide range of treasury operation services to enterprises and individual clients. It provides spot foreign exchange settlement and sale, forward foreign exchange trading, RMB and foreign exchange swap and RMB interest rate swap services. In addition, the ICBC Group acts as the agent of its clients in treasury operations including its 24-hour foreign exchange purchase and sale service, precious metal purchase and sale under account service, forward currency contracts, interest rate swap, currency swap, options and other financial derivatives trading services.

### ***Asset Securitization Business***

The ICBC Group offers asset securitization based on the actual conditions of the business development. The ICBC Group has issued non-performing credit card loans programs and two non-performing personal loans programs in the past. These programs helped the ICBC Group with its NPL disposal and the improvement and adjustment of its credit structure. The ICBC Group has also issued residential mortgage securitization programs, which supports new demands for residential loans.

### ***Precious Metal Business***

The ICBC Group operates four product lines of precious metal business: physical bullion, trading, precious metals linked financing and wealth management. In 2014, the ICBC Group provided precious metal trading brokerage, agency and clearing services to PRC and foreign customers and physical gold warehousing and agency custodian services in the China (Shanghai) Pilot Free Trade Zone for foreign customers through the Shanghai Gold Exchange's International Board in the China (Shanghai) Pilot Free Trade Zone. The ICBC Group was recognised as the "Best Precious Metal Trading Bank in China" by Euromoney, "China's Excellent Precious Metal Trading Bank" by Financial Times and "Excellent Financial Institution Member" by the Shanghai Gold Exchange.

### **Board of Directors**

The board of directors of ICBC as at the date of this offering circular consisted of:

<b>Name</b>	<b>Position</b>
Mr. YI Huiman .....	Chairman of the Board of Directors, Executive Director
Mr. Gu Shu .....	Vice Chairman, Executive Director, President
Mr. Wang Jingdong .....	Executive Director, Senior Executive Vice President
Mr. Cheng Fengchao .....	Non-executive Director
Mr. Zheng Fuqing .....	Non-executive Director
Mr. Fei Zhoulin .....	Non-executive Director
Mr. Fei Zhoulin .....	Non-executive Director
Ms. Mei Yingchun.....	Non-executive Director
Mr. Dong Shi.....	Non-executive Director
Mr. Ye Donghai .....	Non-executive Director
Mr. Or Ching Fai .....	Independent Non-executive Director
Mr. Hong Yongmiao.....	Independent Non-executive Director
Mr. Anthony Francis Neoh.....	Independent Non-executive Director
Mr. Yang Siu Shun.....	Independent Non-executive Director
Ms. Sheila Colleen Bair .....	Independent Non-executive Director
Mr. Shen Si .....	Independent Non-executive Director



The business address of all ICBC's directors is No. 55 Fuxingmennei Avenue, Xicheng District, Beijing 100140, PRC.

There are no potential conflicts of interest between any duties of ICBC's directors to ICBC, and their private interests and/or other duties.

### **Board of Directors Committees**

The board of directors delegates certain responsibilities to various committees. The board of directors has established a strategy committee, an audit committee, a risk management committee, a nomination committee, a compensation committee and related party transactions control committee. These committees are constituted by certain directors and report to the board of directors.

### **General Information**

ICBC's registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing 100140, PRC. ICBC's website address is [www.icbc-ltd.com](http://www.icbc-ltd.com). Information contained on the ICBC's website is subject to change from time to time. Save for the representation given by the Issuers and the Company on page (ii) of this offering circular, no representation is made by the Issuers, the Company, the Managers, the Trustee or the Agents and none of the Issuers, the Company, the Joint Lead Managers, the Trustee or the Agents takes any responsibility for any information contained on ICBC's website.

Copies of the latest annual and interim reports of ICBC, as well as its public filings, can be downloaded free of charge from the website of the Hong Kong Stock Exchange on the internet at [www.hkex.com.hk](http://www.hkex.com.hk).

## SUBSTANTIAL SHAREHOLDERS

The following table sets forth certain information as of the date of this offering circular with respect to the beneficial ownership of the ordinary shares of the Issuers:

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of share held</b>	<b>Percentage of shareholding</b>
CSSC International Holding Company Limited <sup>(1)</sup> .....	Registered shareholder	100	100%
China State Shipbuilding Corporation Limited .....	Beneficial owner	100	100%

*Note:*

(1) CSSC International Holding Company Limited is beneficially and wholly owned by China State Shipbuilding Corporation Limited.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS

Our board of directors (the “**Board**”) is comprised of six directors, all of which are appointees of China State Shipbuilding Corporation Limited for a term of three years. The principal focus of the Board is on overall strategic development, internal controls system and risk management system. The Board provides guidance on business plans and monitors the results of such plans implemented by the management and reviews and approves its financial objectives and major financial activities.

The members of the Board as of the date of this offering circular are as follow:

Name	Age	Position
Lei Fanpei (雷凡培) .....	55	Chairman
Yang Jincheng (楊金成) .....	54	Director, General Manager, Deputy Secretary of the Party Committee
Zhang Ru'en (張汝恩) .....	63	Outside Director
Zhao Xiaogang (趙小剛) .....	66	Outside Director
Tao Suyun (陶素雲) .....	63	Outside Director
Yan Hua (燕樺) .....	64	Outside Director
Zhong Jian (鐘堅) .....	54	Employee Director

The business address of each member of the Board is No. 9-1 Building, South Shouti Road, Haidian District, Beijing, PRC.

### SENIOR MANAGEMENT

Our senior management team consists of six members. Their business address is No. 9-1 Building, South Shouti Road, Haidian District, Beijing, the PRC.

The table below sets forth information regarding our senior management:

Name	Age	Position
Lei Fanpei (雷凡培) .....	55	Chairman
Yang Jincheng (楊金成) .....	54	Director, General Manager, Deputy Secretary of the Party Committee
Nan Daqing (南大慶) .....	59	Vice President
Sun Wei (孫偉) .....	55	Vice President
Guo Weiguo (郭衛國) .....	59	Head of Discipline Inspection Group
Chen Qi (陳琪) .....	56	Vice President

**Lei Fanpei (雷凡培)**, aged 55, is our Chairman since March 2018. Mr. Lei received his master's degree from Northwestern Polytechnical University in 1987, and received his Ph.D. from Beihang University in 2009. Mr. Lei was also an academician of International Academy of Astronautics. From December 1997 to April 2002, Mr. Lei served as Deputy Director and Director of No. 067 Base of Aviation Industry Corporation of China. In April 2002, he was appointed President of the Sixth Institute of China Aerospace Science and Technology Corporation. From February 2005 to March 2013, he served as Deputy General Manager of China Aerospace Science and Technology Corporation. From April 2013 to February 2018, he served as Director, General Manager, Party Secretary and Chairman of China Aerospace Science and Technology Corporation.

**Yang Jincheng (楊金成)**, aged 54, is our General Manager since June 2018. Mr. Yang received his master's degree from Chinese Academy of Sciences in July 1988, and received his Ph.D. degree from Huazhong University of Science and Technology in December 2006. From August 1988 to May 1996, Mr. Yang served as assistant engineer, engineer and Deputy Director of the fourth research laboratory of the 719 Research Institute. From May 1996 to December 2015, he served as Deputy Director, Assistant Director and Director of the planning office of the 719 Research Institute. In December 2015, he was appointed Chief Engineer and Director of the military department of China Shipbuilding Industry Corporation. In the meantime, he also served as Director of

the 719 Research Institute until March 2016. In April 2016, he served as member of the Party Committee and Chief Engineer of China Shipbuilding Industry Corporation. In May 2016, he served as Deputy General Manager and member of the Party Committee of China Shipbuilding Industry Corporation. In June 2018, Mr. Yang served as Director, General Manager and Deputy Secretary of the Party Committee of China State Shipbuilding Corporation Limited.

**Nan Daqing (南大慶)**, aged 59, is our Vice President since December 2010. In February 1982, he joined Zhonghua Shipbuilding (Group) Co., Ltd. In April 1993, he was appointed Deputy Director of the No. 2 Hull Department of the Design Research Institute at Zhonghua Shipyard. In April 1994, he was appointed Deputy Director of Research and Design Institute at Zhonghua Shipbuilding (Group) Co., Ltd. In June 1995, he was appointed Assistant General Manager of Edward Shipbuilding Co., Ltd. In August 1995, he appointed Deputy Director of Zhonghua Shipbuilding (Group) Co., Ltd. In March 2001, he was appointed Deputy General Manager of Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. In August 2001, he was appointed Vice President and Chief Engineer of Shanghai Waigaoqiao Shipbuilding Co., Ltd. In February 2004, he became Deputy Mayor and a member of the Municipal Committee in Yibin City, Sichuan Province. In January 2006, he was appointed Director of the Business Marketing Department of CSSC. In July 2006, he was appointed Deputy Chief Engineer of CSSC. In April 2007, he was appointed Chief Engineer of CSSC and Vice Chairman and President of Jiangnan Shipyard (Group) Co., Ltd. In February 2008, he was appointed Chairman of Shanghai Jiangnan Changxing Heavy Industry Co., Ltd. Mr. Nan graduated from Shanghai Jiaotong University with a specialization in ship engineering. He also obtained an MBA from New York State University in 1990.

**Sun Wei (孫偉)**, aged 55, is our Vice President since January 2013. Mr. Sun worked at Nanjing Luzhou Machinery Factory from August 1983 to 2004 and became Deputy Division Chief, Manager of Branch Factory, Division Chief, Chief Engineer, Vice Manager and Manager during that period. In February 2004, Mr. Sun was appointed Vice General Manager of Shanghai Shipbuilding Co., Ltd. In December 2004, Mr. Sun was appointed General manager of Materials Department of our Company. In January 2005, Mr. Sun was appointed General Manager of Shanghai Shipbuilding Co., Ltd. In July 2006, Mr. Sun was appointed Assistant President of our Company. In November 2007, Mr. Sun was appointed Chairman of Zhejiang CME Co., Ltd. In February 2011, Mr. Sun was appointed Chairman of China Shipbuilding NDRI Engineering Co., Ltd. Since April 2011 and July 2012, Mr. Sun also became Chairman and Secretary of Party Committee of CSSC Jiangnan Heavy Industry Co., Ltd. and Chairman and General Manager of China Shipbuilding Industrial Complete Equipment & Logistics Co., Ltd., respectively. Mr. Sun was appointed Chairman and General Manager of China Shipbuilding Industrial Complete Equipment & Logistics Co., Ltd in July 2012. Mr. Sun graduated from Shanghai Jiaotong University with a Bachelor's degree in ship power machinery in 1983 and graduated from Zhenjiang Marine College with a Bachelor's degree in engineering management in 1987.

**Guo Weiguo (郭衛國)**, aged 59, is our Head of Discipline Inspection Group since June 2014. In 1983, Mr. Guo joined the Labor Plan Bureau of Ministry of Labor and Personnel. In July 1986, he became Vice-director of the Labor Plan Department of Labor Plan Bureau of Ministry of Labor and Personnel. In January 1987, Mr. Guo was appointed Vice-director of the Comprehensive Department of Labor Plan Bureau of Ministry of Labor and Personnel. Beginning in July 1988, he served first as Vice-director Secretary and later Director Secretary of the Administrative Office of Ministry of Personnel. In April 1994, Mr. Guo was appointed Vice-director of the Administrative Office of Ministry of Labor. In February 1997, he became Vice-director of the Administrative Office of Ministry of Labor and Vice-Director of the Internal Service Center of Ministry of Labor (Director of Internal Service Bureau). In July 1997, Mr. Guo was appointed Director of the Internal Service Center of Ministry of Labor (Director of Internal Service Bureau). In March 1998, he became Director of the Internal Service Center of Ministry of Labor and Social Security (Director of Internal Service Bureau) and in June 1999, he was appointed Director of the Internal Service Center of Chinese Academy of Governance (Director of Internal Service Bureau). In July 2010, Mr. Guo was appointed Director of the Administrative and Financial Department of Chinese Academy of Governance. Mr. Guo graduated from Nanjing University with a Bachelor of Economics and a Master of Economics.

**Chen Qi (陳琪)**, aged 56, is our Vice President since July 2015. From 1983 to 2001, Mr. Chen served as Instructor at Zhenjiang Shipbuilding Institute and Director of the Department of Management Engineering of Huadong Shipbuilding Institute. Mr. Chen served as Deputy Head, Head and Party Secretary of China Institute of Marine Technology and Economy from 2005 to 2013. In 2014, Mr. Chen was appointed the Executive Secretary of CSSC. Mr. Chen received his Bachelor's degree in economics from Sun Yat-Sen University in 1983, Master's degree in management from Tsinghua University in 1994 and Ph.D. in management from Nanjing University of Aeronautics and Astronautics in 2006.

There are no potential conflicts of interest between the duties of the members of the Board or the senior management team to the Company and their private interests and/or duties.

## PRC REGULATIONS

*This section summarizes the principal PRC laws and regulations which are relevant to the provision by the LC Bank of the Standby Letter of Credit. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the LC Bank.*

### The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law.

After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is comprised of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the high courts.



The basic courts are organized into civil, criminal, economic administrative and other divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level courts supervise the judicial work of the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

General Provisions of the Civil Law of the PRC, established on March 15, 2017, sets the general limitation of action is three years. According to the General Provisions of the Civil Law, civil disputes shall be resolved in accordance with the law; or if the law is silent, customs may apply, but not contrary to public order and good morals.

The Civil Procedure Law of the PRC, which was adopted on April 9, 1991 and amended on October 28, 2007, on August 31, 2012 and June 27, 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the competent court to request for enforcement of the judgment, order or award. Based on article 239 of the Civil Procedure Law of the PRC, the time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the PRC court's examination in accordance with the principal of reciprocity, unless the PRC court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, sovereignty or national security, or for reasons of social and public interests.

## TAXATION

*The following summary of certain Hong Kong, PRC and British Virgin Islands tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this offering circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.*

### HONG KONG

#### ***Withholding Tax***

No withholding tax is payable in Hong Kong in respect of payments of principal or interest in respect of the Bonds or in respect of any capital gains arising from the sale of the Bonds.

#### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- i. interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- ii. interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- iii. interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “IRO”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- iv. interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

## **Stamp Duty**

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

## **PRC**

*The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes.*

*These beneficial owners are referred to as non-PRC Bondholders in this “PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after January 1, 2008.*

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “**de facto management organization**” are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside the PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the USD Issuer or the Euro Issuer’s “**de facto management organization**” is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside the PRC. As of the date of this offering circular, each of the USD Issuer and the Euro Issuer confirms that it has not received notice or has been informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the USD Issuer or the Euro Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment within the PRC, shall be required to pay an income tax at the rate of 10% on the income sourced inside the PRC. Such income tax shall be withheld by the PRC payer that is acting as the obligatory withholder and such PRC payer shall withhold the tax amount from each payment or payment due. Although as confirmed by each of the USD Issuer and the Euro Issuer, as of the date of this offering circular, it has not been noticed or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, in the event the USD Issuer or the Euro Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it will be required to withhold income tax from the payments of interest in respect of the Bonds for any non-PRC Bondholder. However, despite the potential withholding of the PRC tax by the Issuers, the Issuers have agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in the “Terms and Conditions of the USD Bonds” and “Terms and Conditions of the Euro Bonds.”

According to the double taxation arrangement between China and Hong Kong and relevant PRC tax regulations, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Bonds. Other non-PRC Bondholders will also not be subject to the PRC tax on any capital gains derived from a sale or exchange of Bonds consummated outside the PRC between non-PRC Bondholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% of PRC withholding tax. No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds.

## **British Virgin Islands**

The Issuers are exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuers do not hold an interest in real estate in the British Virgin Islands.

## SUBSCRIPTION AND SALE

The Issuers and the Company have entered into (i) a subscription agreement with respect to the USD Bonds with the Managers dated September 19, 2018 (the “**USD Subscription Agreement**”) and (ii) a subscription agreement with respect to the EUR Bonds with the Managers dated September 19, 2018 (the “**EUR Subscription Agreement**”) and together with the USD Subscription Agreement, the “**Subscription Agreements**”) pursuant to which and subject to certain conditions contained in the Subscription Agreements, the Issuers agreed to sell to the Managers, and the Managers agreed severally and not jointly, to subscribe for, or to procure subscribers to subscribe for, the aggregate principal amount of the USD Bonds and the EUR Bonds, respectively.

The Subscription Agreements provide that the Issuers will indemnify the Managers and their respective affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreements provide that the obligations of the Managers are subject to certain conditions precedent, and entitle the Managers to terminate such Subscription Agreements in certain circumstances prior to payment being made to the Issuers. The Issuers have agreed to indemnify the Managers and their respective affiliates against certain liabilities in connection with the offer and sale of the Bonds.

The Managers and their affiliates may have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and commercial and investment banking services, for the Issuers, the Company and their respective affiliates in the ordinary course of business, for which they received or will receive customary fees and agreed expenses.

The Managers and their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuers or the Company, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering contemplated herein. Accordingly, references herein to the Bonds being ‘offered’ should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuers or the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. The Issuers, the Company and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of its various business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuers and/or the Company. Certain of the Managers or their affiliates that have a lending relationship with the Issuers and/or the Company routinely hedge their credit exposure to the Issuers and/or the Company consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuers’ and/or the Company’s securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuers or the Company, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any Manager appointed and acting in its capacity as Stabilizing Manager (the “**Stabilizing Manager**”) or any person acting on behalf of the Stabilizing Manager may, to the extent permitted by applicable laws and directives, over-allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager shall act as principal and not as agent of the Issuers. However, there is no assurance that the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such overallotment or stabilization shall be retained and shared equally by the Managers.

## GENERAL

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this offering circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this offering circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

## UNITED STATES

Neither the Bonds nor the Letters of Credit have been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager represents that it has not offered or sold, and agrees that it will not offer or sell, any Bonds or the Letter of Credit constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds and the Letter of Credit. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager represents and agrees that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act (“**Regulation D**”)), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Bonds in the United States.

## UNITED KINGDOM

Each of the Managers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuers or the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## EUROPEAN ECONOMIC AREA

Each of the Managers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.



## PEOPLE'S REPUBLIC OF CHINA

Each of the Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

## HONG KONG

Each of the Managers has represented and agreed that:

- i. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “Professional Investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- ii. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “Professional Investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

## SINGAPORE

Each Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;

- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuers have determined, and hereby notify all relevant persons (as defined in the CMP Regulations 2018), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **JAPAN**

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each of the Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **BRITISH VIRGIN ISLANDS**

Each Manager represents and agrees invitation has not been made nor will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws. This offering circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

## GENERAL INFORMATION

1. **Clearing Systems:** The USD Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 188261400 and the International Securities Identification Number for the USD Bonds is XS1882614008. The Euro Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 188261647 and the International Securities Identification Number for the Euro Bonds is XS1882616474.
2. **Listing of the Bonds:** With respect to the USD Bonds, application has been made to The Stock Exchange of Hong Kong Limited (SEHK) for the listing of the USD Bonds by way of debt issues to Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, “Professional Investors”) only. This offering circular is for distribution to Professional Investors only. **Investors should not purchase the USD Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The USD Bonds are only suitable for Professional Investors.**

With respect to the Euro Bonds, application has been made to the SEHK for the listing of the Euro Bonds by way of debt issues to Professional Investors only. This offering circular is for distribution to Professional Investors only. **Investors should not purchase the Euro Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Euro Bonds are only suitable for Professional Investors.**

With respect to the Euro Bonds, application has also been made to the Euronext Dublin for the Euro Bonds to be admitted to the Official List and to trading on the Global Exchange Market in accordance with the rules and regulations of such exchange.

However, the Issuers cannot assure you that the application to such stock exchanges will be approved. The settlement of the Bonds is not conditional on obtaining such listings. Each Issuer may elect to apply for a delisting of the Bonds issued by it from any stock exchange or markets if the listing requirements are unduly burdensome.

3. Except as may otherwise be indicated in this offering circular, all authorizations, consents, and approvals to be obtained by the USD Issuer for, or in connection with, the creation and issue of the USD Bonds, the performance of its obligations expressed to be undertaken by it and the distribution of this offering circular were obtained and were in full force and effect at the pricing of the offering. The issue of the USD Bonds by the USD Issuer was authorized pursuant to a resolution of its board of directors on September 7, 2018.

Except as may otherwise be indicated in this offering circular, all authorizations, consents, and approvals to be obtained by the Euro Issuer for, or in connection with, the creation and issue of the Euro Bonds, the performance of its obligations expressed to be undertaken by it and the distribution of this offering circular were obtained and were in full force and effect at the pricing of the offering. The issue of the Euro Bonds by the Euro Issuer was authorized pursuant to a resolution of its board of directors on September 7, 2018.

4. **No Material Adverse Change:** Save as disclosed in this offering circular, there has been no significant adverse change in the financial or trading position or prospects of the Company or the Group since June 30, 2018, and there has been no material adverse change in the prospects of the Company since December 31, 2017.
5. **Litigation:** None of the USD Issuer, the Euro Issuer, the Company or any member of the Group is involved in any legal, governmental or arbitration proceedings nor is the USD Issuer, the Euro Issuer or the Company aware that any such proceedings are pending or threatened. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the USD Issuer, the Euro Issuer or the Company is aware) in the 12 months preceding the date of this offering circular which may have or have in such period had a significant effect upon the financial position or profitability of the USD Issuer, the Euro Issuer or the Company.
6. **Available Documents:** Hard copies of the Company’s annual report for the year ended December 31, 2015, 2016 and 2017 and its interim report for the six months ended June 30, 2018, the Trust Deed, the Agency

Agreement, the Keepwell Deeds, the Standby Letters of Credit and the Articles of Association of each of the Issuers and the Company will be available for inspection from the Issue Date at the specified offices of the Agents during normal business hours following prior written request and proof of holding satisfactory to the Principal Paying Agent and, in the case of each of the aforementioned reports, documents and Articles of Association other than the Agency Agreement, subject to copies of the same having been provided to the Principal Paying Agent, so long as any of the Bonds is outstanding, and the Euro Bonds are admitted to the official list of Euronext Dublin and admitted to trading on the Global Exchange Market.

7. **Audited Financial Statements:** The Company's audited consolidated financial statements as of and for the years ended December 31, 2016, have been audited by ShineWing Certified Public Accountants, as stated in its report appearing herein. The Company's audited consolidated financial statements as of and for the year ended December 31, 2017, which are included elsewhere in this offering circular, have been audited by WUYIGE China Certified Public Accountants LLP, as stated in its report appearing herein.
8. **Interim Financial Information:** The Company's unaudited consolidated financial statements as of and for the six months ended June 30, 2018 have been reviewed by WUYIGE Certified Public Accountants LLP, as stated in its report appearing herein.
9. **LC Bank Financial Statements:** Copies of the latest annual and interim reports of the LC Bank, as well as its public filings, can be downloaded free of charge from its corporate website and the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).
10. **Company Information:** The Company's PRC company registration number is 100000000031917. Its business telephone number is (86) 010-88573227. The Company operates under PRC Company Law and other relevant PRC laws and regulations.
11. **Irish Listing Agent:** Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Euro Issuer in connection with the Euro Bonds and is not itself seeking admission of the Euro Bonds to trading on the Global Exchange Market of Euronext Dublin.

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Our audited consolidated financial statements as of and for the years ended December 31, 2016 and 2017 and unaudited consolidated financial statements as of and for the six months ended June 30, 2018 as set forth below are a reproduction from our financial reports.



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## Independent Review Report

DAXIN YUE ZI [2018] No. 1-00020

### To China State Shipbuilding Corporation Limited:

We have reviewed the accompanying interim financial statements of China State Shipbuilding Corporation Limited (hereafter referred to as “The Company”), which comprise the consolidated and the Company's balance sheets as at June 30, 2018, the consolidated and the Company's statements of income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the six months period then end, and explanatory notes to these financial statements. The directors of the Company are responsible for the preparation and presentation of these interim financial statements. Our responsibility is to issue our review report on these interim financial statements based on our review.

We conducted our review in accordance with the Review Standard for Chinese Certified Public Accountants No.2101 Review of Financial Statements. The standard requires us to plan and conduct a review to obtain limited assurance as to whether the interim financial statements are free from material misstatement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted and, consequently, provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared in accordance with the requirement in Accounting Standards for Business Enterprises, and do not present fairly, in all material respects, the consolidated and the Company's financial position as at June 30, 2018 and the consolidated and the Company's operating results and cash flows for the six months ended June 30, 2018.





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WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Certified Public Accountant of China

(Engagement partner)

Certified Public Accountant of China

Beijing, China

Date: Aug. 30, 2018

# Consolidated Balance Sheet

Prepared by: China State Shipbuilding Corporation

As at June 30, 2018

Unit: Yuan Currency RMB

Project	Remarks	Ending balance	Beginning balance
<b>Current assets:</b>			
Monetary fund	Eight-1	64,874,728,233.98	61,399,263,015.63
△Provision of settlement fund			
△Funds lent			
Financial assets measured by fair value and whose changes will be recorded in current profit and loss	Eight-2	3,404,813,012.52	3,098,236,762.53
Derivative financial assets			
Notes receivable and Accounts receivable	Eight-3	12,043,363,311.13	13,348,692,663.32
Prepayments	Eight-4	32,213,907,314.74	32,035,353,298.99
△Insurance premiums receivable			
△Cession premiums receivable			
△Provision of cession receivable			
Other receivables	Eight-5	3,320,341,006.49	1,864,227,516.21
△Buying back the sale of financial assets	Eight-6	78,000,000.00	81,000,000.00
Inventories	Eight-7	42,887,758,842.50	40,107,801,792.98
Including: Raw material		6,973,756,456.55	5,132,986,386.34
Stock goods( Finished goods)		2,061,925,607.03	2,044,888,869.84
Assets divided into holding assets for sale			
Non-current assets due within one year	Eight-8	3,797,290,298.10	4,261,452,378.53
Other current assets	Eight-9	9,613,730,320.93	8,897,545,080.43
<b>Total current assets</b>		<b>172,233,932,340.39</b>	<b>165,093,572,508.62</b>
<b>Non-current assets:</b>			
△Loans and payments on behalf	Eight-10	41,302,948.47	197,242,022.92
Available-for-sale financial assets	Eight-11	13,832,484,718.16	15,628,787,639.34
Held-to-maturity investments			
Long-term receivables	Eight-12	18,928,230,174.58	14,839,220,321.87
Long-term equity investments	Eight-13	17,600,630,687.05	17,683,605,598.66
Investment property	Eight-14	1,052,187,545.71	1,044,947,639.29
Fixed assets	Eight-15	45,525,708,939.23	47,058,868,526.16
Construction in process	Eight-16	12,745,314,993.23	12,590,394,486.48
Construction in process		12,741,981,824.90	12,586,452,312.58
Productive biological assets			
Oil and gas assets			
Intangible assets	Eight-17	9,004,790,093.69	8,685,373,880.85
Development expenditure		414,807,182.01	403,214,737.67
Goodwill	Eight-18	145,064,673.30	145,064,673.30
Long-term deferred expenses	Eight-19	213,114,766.87	220,822,221.95
Deferred income tax assets	Eight-20	2,513,337,267.06	2,418,031,167.34
Other non-current assets	Eight-21	5,528,714,661.53	4,911,304,928.98
Including: Physical assets reserve specifically authorized			
<b>Total non-current assets</b>		<b>127,545,688,650.89</b>	<b>125,826,877,844.81</b>
<b>Total assets</b>		<b>299,779,620,991.28</b>	<b>290,920,450,353.43</b>

Legal Representative:

Director of Accounting Work:

Principal of Accounting Mechanism:

## Consolidated Balance Sheet (Continued)

Prepared by: China State Shipbuilding Corporation

As at June 30, 2018

Unit: Yuan Currency RMB

Project	Remarks	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term loans	Eight-22	9,992,268,806.02	7,066,228,347.26
△Borrowings from central bank			
△Deposits from banks and other financial institutions	Eight-23	95,501,409.17	719,021,424.36
△Deposit funds			
Financial liabilities measured by fair value and whose changes will be recorded in current profit and loss	Eight-24	235,932,278.32	3,366,294.31
Derivative financial liabilities			
Notes payable and Accounts payable	Eight-25	47,091,993,342.13	43,897,921,411.31
Advances from customers	Eight-26	12,439,490,710.77	14,841,851,606.79
△Funds from sales of financial assets with repurchase agreement			
△Handling charges and commissions payable			
Employee pay payable	Eight-27	1,248,586,400.59	1,061,655,922.48
Including: Accrued payroll		524,215,585.14	432,312,379.28
Welfare benefits payable		13,510,598.24	5,340,825.66
#Including: Staff and workers' bonus and selfare		5,072,421.30	5,072,421.30
Taxes and surcharges payable	Eight-28	368,384,299.16	989,016,017.53
Including: Taxes payable		180,886,040.90	941,619,264.02
Other payables	Eight-29	4,386,573,405.89	4,751,828,921.83
△Cession insurance premiums payable			
△Provision for insurance contracts			
△Funds received as agent of stock exchange			
△Funds received as stock underwrite			
Liabilities divided into holding assets for sale			
Non-current liabilities due within one year	Eight-30	15,122,059,818.05	18,021,814,510.15
Other current liabilities	Eight-31	37,571,709,681.36	34,562,337,816.92
<b>Total current liabilities</b>		<b>128,552,500,151.46</b>	<b>125,915,042,272.94</b>
<b>Non-current liabilities:</b>			
Long-term loans	Eight-32	32,165,606,541.64	36,294,976,944.39
Bonds payable	Eight-33	25,432,597,881.02	25,420,652,095.30
Including: Preference shares			
Perpetual loans			
Long-term payables	Eight-34	9,168,133,010.77	8,752,526,148.80
Provisions	Eight-35	4,046,775,453.36	4,708,045,051.25
Deferred income	Eight-36	1,629,215,471.98	1,155,559,225.49
Deferred income tax liabilities	Eight-20	284,795,752.80	400,097,983.55
Other non-current liabilities	Eight-37	827,735,857.54	826,438,520.34
Including: Authorized reserve fund			
<b>Total non-current liabilities</b>		<b>73,554,859,969.11</b>	<b>77,558,295,969.12</b>
<b>Total liabilities</b>		<b>202,107,360,120.57</b>	<b>203,473,338,242.06</b>
<b>Owners' equity (Stockholders' equity)</b>			
Paid-in capital (or Share capital)		32,000,000,000.00	32,000,000,000.00
National capital		32,000,000,000.00	32,000,000,000.00
Including: State-owned legal person's capital			
Collective capital			
Private capital			
Including: Personal capital			
Foreign businessmen's capital			
# Subtract: Returned investment			
Net paid-in capital (or Share capital)	Eight-38	32,000,000,000.00	32,000,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual loans			
Capital reserve	Eight-39	13,113,986,906.35	11,330,730,816.19
Subtract: Treasury stock			
Other comprehensive income		-252,741,017.51	509,333,320.18
Including: Exchange differences on translating foreign operations		-291,257,557.88	-108,598,957.49
Special reserve	Eight-40	90,233,419.42	87,544,964.05
Surplus reserve	Eight-41	2,704,887,206.48	2,704,887,206.48
Including: Statutory accumulation reserve		2,704,887,206.48	2,704,887,206.48
Discretionary accumulation			
# Reserved funds			
# Enterprise expansion funds			
# Profits capitalised on return of investments			
△ Provision for normal risks			
Undistributed profits	Eight-42	22,650,497,046.85	22,135,783,451.17
<b>Equity attributable to parent company</b>		<b>70,306,863,561.59</b>	<b>68,768,279,758.07</b>
※ Minority interests		27,365,397,309.12	18,678,832,353.30
<b>Total equity</b>		<b>97,672,260,870.71</b>	<b>87,447,112,111.37</b>
<b>Total liabilities and equity</b>		<b>299,779,620,991.28</b>	<b>290,920,450,353.43</b>

Legal Representative:

Director of Accounting Work:

Principal of Accounting Mechanism:

## Balance Sheet

Prepared by: China State Shipbuilding Corporation

As at June 30, 2018

Unit: Yuan Currency RMB

Project	Remarks	Ending balance	Beginning balance
<b>Current assets:</b>			
Monetary fund		3,796,417,710.06	3,354,115,233.16
Financial assets measured by fair value and whose changes will be recorded in current profit and loss			
Derivative financial assets			
Notes receivable and Accounts receivable			
Prepayments			
Other receivables	Thirteen-1	6,122,152,450.52	8,066,738,705.89
Inventories			
Including: Raw material			
Stock goods			
Assets divided into holding assets for sale			
Non-current assets matured within one year		1,410,000,000.00	6,643,300,000.00
Other current assets		402,183,559.08	402,165,737.61
<b>Total current assets</b>		11,730,753,719.66	18,466,319,676.66
<b>Non-current assets:</b>			
Available-for-sale financial assets		1,393,404,000.00	1,770,804,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	Thirteen-2	43,102,598,773.98	43,049,558,773.98
Investment real estate			
Fixed assets		427,160,213.39	435,529,401.06
Construction in process		42,359,586.87	42,359,586.87
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		2,242,130.15	2,242,130.15
Other non-current assets		35,535,448,999.94	32,868,948,999.97
Including: Physical assets reserve specifically authorized			
<b>Total non-current assets</b>		80,503,213,704.33	78,169,442,892.03
<b>Total assets</b>		92,233,967,423.99	96,635,762,568.69

Legal Representative:

Director of Accounting Work:

Principal of Accounting Mechan:

## Balance Sheet (Continued)

Prepared by: China State Shipbuilding Corporation

As at June 30, 2018

Unit: Yuan Currency RMB

Project	Remarks	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term loans		1,869,000,000.00	2,219,000,000.00
Financial liabilities measured by fair value and whose changes will be recorded in current profit and loss			
Derivative financial liabilities			
Notes payable and Accounts payable			
Advance receipts			
Employee pay payable		5,653,277.55	4,895,056.72
Including: Accrued payroll			
Welfare benefits payable			
Taxes and surcharges payable		663,543.76	45,471,123.32
Including: Taxes payable		663,543.76	45,471,123.32
Other payables		724,480,060.44	523,164,882.80
Liabilities divided into holding assets for sale			
Non-current liabilities due within one year		6,243,300,000.00	6,643,300,000.00
Other current liabilities			
<b>Total current liabilities</b>		<b>8,843,096,881.75</b>	<b>9,435,831,062.84</b>
<b>Non-current liabilities:</b>			
Long-term loans		3,568,149,000.00	6,968,949,000.00
Bonds payable		25,432,597,881.02	25,420,652,095.30
Including: Preference shares			
Perpetual loans			
Long-term payables		400,000,000.00	400,000,000.00
Long-term employee pay payable			
Provisions			
Deferred income			
Deferred income tax liabilities		168,094,404.36	262,444,404.36
Other non-current liabilities			
Including: Authorized reserve fund			
<b>Total non-current liabilities</b>		<b>29,568,841,285.38</b>	<b>33,052,045,499.66</b>
<b>Total liabilities</b>		<b>38,411,938,167.13</b>	<b>42,487,876,562.50</b>
<b>Owners' equity (Stockholders' equity)</b>			
Paid-in capital (or Share capital)		32,000,000,000.00	32,000,000,000.00
National capital		32,000,000,000.00	32,000,000,000.00
Including: State-owned legal person's capital			
Collective capital			
Private capital			
Including: Personal capital			
Foreign businessmen's capital			
# Subtract: Returned investment			
Paid-in capital (or Share capital)-net book value		32,000,000,000.00	32,000,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual loans			
Capital reserve		2,348,689,889.41	2,348,689,889.41
Subtract: Treasury stock			
Other comprehensive income		139,012,105.86	422,062,105.86
Including: Exchange differences on translating foreign operations			
Special reserve			
Surplus reserve		2,718,559,690.07	2,718,559,690.07
Including: Statutory accumulation reserve		2,718,559,690.07	2,718,559,690.07
Discretionary accumulation			
# Reserved funds			
# Enterprise expansion funds			
# Profits capitalised on return of investments			
Undistributed profits		16,615,767,571.52	16,658,574,320.85
<b>Total equity</b>		<b>53,822,029,256.86</b>	<b>54,147,886,006.19</b>
<b>Total liabilities and equity</b>		<b>92,233,967,423.99</b>	<b>96,635,762,568.69</b>

Legal Representative:

Director of Accounting Work:

Principal of Accounting Mechanism:

# Consolidated Statement of Income

Prepared by: China State Shipbuilding Corporation

For the six months ended June30

Unit: Yuan Currency RMB

Project	Remarks	Current amount	Last term amount
<b>1.Total operating revenue</b>	Eight-43	71,467,037,262.90	104,179,253,692.24
Including:operating revenue		70,980,288,614.33	103,741,014,362.13
△Interest income		421,999,199.26	392,545,341.73
△Premium earned			
△Fees and commissions income		64,749,449.31	45,693,988.38
<b>2.Total cost</b>	Eight-43	72,785,092,037.54	106,268,853,903.43
Including:operating cost		66,504,761,313.37	98,638,041,812.69
△Interest expenses		1,313,003.34	3,550,220.50
△Fees and commissions expenses		1,988,552.36	2,536,298.18
△Cash surrender amount			
△Net expenses of claim settlement			
△Net provisions for insurance contract reserves			
△Policy dividend expenses			
△Reinsurance expenses			
Taxes and surcharges		233,846,522.38	191,704,843.32
Selling expenses	Eight-44	574,595,923.89	644,104,966.28
Administration expenses	Eight-45	2,866,862,034.31	2,984,561,718.07
Research and development expenses		1,259,107,420.21	975,391,314.80
Finance expenses	Eight-46	1,040,503,190.13	2,055,828,930.22
Including:Interest expenses		1,214,871,515.68	1,510,412,906.59
Interest income		340,609,338.23	395,671,805.75
Impairment on assets	Eight-47	302,114,077.55	773,133,799.37
Other costs and expenses			
Plus: Other income	Eight-48	385,778,683.44	252,929,382.26
Income from investment(Fill in loss with“-”)	Eight-49	524,245,244.58	3,205,926,143.21
Including: Investment income from associated enterprises and joint ventures		-28,723,059.07	2,402,857,940.28
△ Gain or loss on foreign exchange transactions s (Fill in loss with“-”)			
Gains from fair-value changes(Fill in loss with“-”)	Eight-50	-212,198,602.21	296,899,683.30
Gains from disposal of assets(Fill in loss with“-”)			
<b>3.Operating profit(Fill in loss with“-”)</b>		-620,229,448.83	1,666,154,997.58
Plus: Non-operating income	Eight-51	1,523,101,081.61	389,780,321.77
Subtract:Non-operating expenses	Eight-52	116,852,477.81	13,142,815.03
<b>4.Total profit(Fill in loss with“-”)</b>		786,019,154.97	2,042,792,504.32
Subtract:income tax expenses	Eight-53	301,419,670.27	505,155,068.19
<b>5.Net profit(Fill in loss with“-”)</b>		484,599,484.70	1,537,637,436.13
Net profit attributable to parent company		514,713,595.68	1,467,501,583.94
※Profit/loss attributable to minority share-holders		-30,114,110.98	70,135,852.19
(1)Profit or loss from continuing operations		484,599,484.70	1,537,637,436.13
(2)Profit or loss from discontinued operations			
<b>6.Net after-tax amount of other comprehensive income</b>	Eight-54	-819,209,120.31	-166,878,778.02
<b>Net after-tax amount of other comprehensive income attributable to parent company</b>		-762,074,337.69	-156,419,779.46
(1) Comprehensive income not to be reclassified as profit or loss			
1)Changes of net liabilities or net assets in remeasured defined benefit obligations			
2)Portion of comprehensive income not to be reclassified as profit or loss under equity method			
(2)Comprehensive income to be reclassified as profit or loss		-762,074,337.69	-156,419,779.46
1) Portion of comprehensive income to be reclassified as profit or loss under equity method		-3,555,369.24	-1,636,521.07
2) Gain or loss from fair value changes of available-for-sale financial assets		-575,860,368.06	-83,644,173.50
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4) Gain or loss on effective cash flow hedging			
5) Currency translation difference		-182,658,600.39	-71,139,084.89
※Net after-tax amount of other comprehensive income attributable to minority share-holders		-57,134,782.62	-10,458,998.56
<b>7. Total comprehensive income</b>		-334,609,635.61	1,370,758,658.11
Total comprehensive income attributable to parent company		-247,360,742.01	1,311,081,804.48
※ Total comprehensive income attributable to minority share-holders		-87,248,893.60	59,676,853.63
<b>8.Earnings per share</b>			
(1)Basic earnings per share			
(2)Diluted earnings per share			

Legal Representative:

Director of Accounting Work:

Principal of Accounting Mechanism:



# Statement of Income

Prepared by: China State Shipbuilding Corporation

For the six months ended June30

it: Yuan Currency RMB

Project	Remarks	Current amount	Last term amount
<b>1. Operating revenue</b>	Thirteen-3	345,356.39	5,620,000.01
Subtract: Operating cost	Thirteen-3	1,007,398.00	972,188.72
Taxes and surcharges		5,477,627.50	13,340.00
Selling expenses			
Administration expenses		95,559,204.89	85,242,093.68
Research and development expenses		2,301,886.78	
Finance expenses		482,413,870.21	564,782,291.96
Including: Interest expenses		524,278,007.95	625,091,640.28
Interest income		41,642,111.57	61,136,633.09
Impairment on assets			
Plus: Other income			
Income from investment(Fill in loss with"-")	Thirteen-4	543,228,024.51	3,266,671,857.88
Including: Investment income from associated enterprises and joint ventures			2,397,021,868.60
Gains from fair-value changes(Fill in loss with"-")			
Gains from disposal of assets(Fill in loss with"-")			
<b>2. Operating profit(Fill in loss with"-")</b>		-43,186,606.48	2,621,281,943.53
Plus: Non-operating income		219,706.80	25,000.00
Subtract: Non-operating expenses		11.60	1,356.99
<b>3. Total profit(Fill in loss with"-")</b>		-42,966,911.28	2,621,305,586.54
Subtract: income tax expenses		-160,161.95	56,651,748.63
<b>4. Net profit(Fill in loss with"-")</b>		-42,806,749.33	2,564,653,837.91
(1) Profit or loss from continuing operations		-42,806,749.33	2,564,653,837.91
(2) Profit or loss from discontinued operations			
<b>5. Net after-tax amount of other comprehensive income</b>		-283,050,000.00	16,830,000.00
(1) Comprehensive income not to be reclassified as profit or loss			
1) Changes of net liabilities or net assets in remeasured defined benefit obligations			
2) Portion of comprehensive income not to be reclassified as profit or loss under equity method			
(2) Comprehensive income to be reclassified as profit or loss		-283,050,000.00	16,830,000.00
1) Portion of comprehensive income to be reclassified as profit or loss under equity method			
2) Gain or loss from fair value changes of available-for-sale financial assets		-283,050,000.00	16,830,000.00
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4) Gain or loss on effective cash flow hedging			
5) Currency translation difference			
<b>6. Total comprehensive income</b>		-325,856,749.33	2,581,483,837.91
<b>7. Earnings per share</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:

Director of Accounting Work:

Principal of Accounting Mechanism:

## Consolidated Statement of Cash Flows

: Prepared by: China State Shipbuilding Corporation

For the six months ended June30

Unit: Yuan Currency RMB

Project	Remarks	Current amount	Last term amount
<b>1.Cash flow from operating activities</b>			
Cash received from selling goods and providing labor services		80,213,087,362.29	102,977,027,041.89
△Net increase in customer bank deposits and due to banks and other financial institutions		-1,179,520,015.19	-637,247,491.78
△Net increase in borrowings from central bank			
△Net increase in placement from other financial institutions			-90,181,000.00
△Cash received from premiums of original insurance contracts			
△Net cash received from reinsurance business			
△Net increase in deposits from policyholders			
△Net increase in disposal of financial assets measured by fair value and whose changes will be recorded in current profit and loss			
△Cash received from interests,fees and commissions		385,186,218.47	402,764,854.25
△Net increase of placement from banks and other financial institutions			
△Net increase in repurchasing business capital			
Refunds of taxes and surcharges		2,844,102,531.91	2,131,566,180.70
Cash received related to other operating activities		6,748,861,423.18	5,575,139,179.80
<b>Subtotal of cash inflows from operating activities</b>		89,011,717,520.66	110,359,068,764.86
Cash paid to purchase goods or receive labor services		77,571,548,938.23	106,922,981,940.23
△Net increase in loans and advances to customers		-164,960,281.49	-62,728,741.11
△Net increase in deposits with central banks and other financial institutions		-155,239,215.32	10,882,787.77
△Cash paid for claim settlements on original insurance contracts			
△Cash paid for interest,fees and commissions		208,913,240.52	-516,048.21
△Cash paid for policy dividends			
Cash paid to and for the staff		4,572,389,018.58	4,706,300,241.17
Taxes and surcharges cash payments		1,641,463,729.08	1,708,903,263.02
Cash paid related to other operating activities		4,581,879,117.82	4,584,834,085.99
<b>Subtotal of cash outflows from operating activities</b>		88,255,994,547.42	117,870,657,528.86
<b>Net cash flows from operating activities</b>		755,722,973.24	-7,511,588,764.00
<b>2.Cash flows from investing activities:</b>			
Cash received from returns of investments		16,248,053,154.74	30,253,404,213.00
Cash received from incomes from investment		752,239,093.12	285,188,469.80
Net cash from disposal of fixed assets,intangible assets and other long-term assets		34,843,105.27	23,400,634.69
Net cash received from disposal of subsidiaries and other business units		3,832,974.81	10,058,100.00
Cash received related to other investing activities		1,257,269,058.43	712,516,107.10
<b>Subtotal of cash inflows from investing activities</b>		18,296,237,386.37	31,284,567,524.59
Cash paid for the purchase and construction of fixed assets,intangible assets and other long-term assets		1,577,932,944.61	1,815,210,677.95
Cash paid for investments		17,334,449,015.98	28,538,126,340.13
△Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid related to other investing activities		2,916,651,914.96	1,257,221,405.51
<b>Subtotal of cash outflows from investing activities</b>		21,829,033,875.55	31,610,558,423.59
<b>Net cash flows from investing activities</b>		-3,532,796,489.18	-325,990,899.00
<b>3.Cash flows from financing activities:</b>			
Cash received by absorbing investments		8,808,537,711.99	217,515,497.00
Including:cash received by subsidiaries from minority shareholders' investments		8,700,000,000.00	25,500,000.00
Cash received from debts		23,207,398,649.39	21,837,595,597.61
△Cash received from bond issues			
Cash received related to other financing activities		2,774,855,388.13	2,327,496,294.09
<b>Subtotal of cash inflows from financing activities</b>		34,790,791,749.51	24,382,607,388.70
Cash paid for repayments of debts		25,058,338,061.15	22,215,687,296.10
Cash paid for distribution of dividends or profits, or cash paid for the payments for interests		1,575,093,381.78	1,408,663,929.28
Including:dividends or profit paid by subsidiaries to minority shareholders		4,040,170.74	6,386,323.26
Cash paid related to other financing activities		1,618,802,133.68	4,241,904,737.41
<b>Subtotal of cash outflows from financing activities</b>		28,252,233,576.61	27,866,255,962.79
<b>Net cash flows from financing activities</b>		6,538,558,172.90	-3,483,648,574.09
<b>4.Influence on cash and cash equivalents by exchange rate movement</b>		95,330,824.01	-478,865,029.51
<b>5.Net increase of cash and cash equivalents</b>		3,856,815,480.97	-11,800,093,266.60
Plus:Balance of cash and cash equivalents at the beginning of the term		55,428,414,591.46	57,867,878,222.25
<b>6.Balance of cash and cash equivalents at the end of the term</b>		59,285,230,072.43	46,067,784,955.65

Legal Representative:

Director of Accounting Work:

Principal of Accounting Mechanism:

# Statement of Cash Flows

Prepared by: China State Shipbuilding Corporation

For the six months ended June Yuan Currency RMB

Project	Remarks	Current amount	Last term amount
<b>1.Cash flow from operating activities</b>			
Cash received from selling goods and providing labor services		358,077.78	107,200.00
Refunds of taxes and surcharges		216,112.33	
Cash received related to other operating activities		191,600,480.99	194,977,335.95
<b>Subtotal of cash inflows from operating activities</b>		192,174,671.10	195,084,535.95
Cash paid to purchase goods or receive labor services		33,152.94	
Cash paid to and for the staff		62,488,935.66	59,140,276.61
Taxes and surcharges cash payments		49,984,689.94	12,471,208.76
Cash paid related to other operating activities		198,665,687.93	208,738,378.00
<b>Subtotal of cash outflows from operating activities</b>		311,172,466.47	280,349,863.37
<b>Net cash flows from operating activities</b>		-118,997,795.37	-85,265,327.42
<b>2.Cash flows from investing activities:</b>			
Cash received from returns of investments		2,765,728,100.00	4,600,000,000.00
Cash received from incomes from investment		544,766,786.68	647,769,598.48
Net cash from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities			
<b>Subtotal of cash inflows from investing activities</b>		3,310,494,886.68	5,247,769,598.48
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		113,830.00	84,690.00
Cash paid for investments		2,453,040,000.00	863,092,596.31
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid related to other investing activities			
<b>Subtotal of cash outflows from investing activities</b>		2,453,153,830.00	863,177,286.31
<b>Net cash flows from investing activities</b>		857,341,056.68	4,384,592,312.17
<b>3.Cash flows from financing activities:</b>			
Cash received by absorbing investments			
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from debts			3,700,000,000.00
Cash received related to other financing activities		6,705,853,285.65	4,101,334,633.66
<b>Subtotal of cash inflows from financing activities</b>		6,705,853,285.65	7,801,334,633.66
Cash paid for repayments of debts		6,578,800,000.00	10,958,000,000.00
Cash paid for distribution of dividends or profits, or cash paid for the payments for interests		422,758,980.06	563,535,181.59
Including: dividends or profit paid by subsidiaries to minority shareholders			
Cash paid related to other financing activities		335,090.00	707,759,018.80
<b>Subtotal of cash outflows from financing activities</b>		7,001,894,070.06	12,229,294,200.39
<b>Net cash flows from financing activities</b>		-296,040,784.41	-4,427,959,566.73
<b>4.Influence on cash and cash equivalents by exchange rate movement</b>			
<b>5.Net increase of cash and cash equivalents</b>		442,302,476.90	-128,632,581.98
Plus: Balance of cash and cash equivalents at the beginning of the term		3,354,115,233.16	3,940,476,403.74
<b>6.Balance of cash and cash equivalents at the end of the term</b>		3,796,417,710.06	3,811,843,821.76

Legal Representative:

Director of Accounting Work:

Principal of Accounting Mechanism:

# China State Shipbuilding Corporation Limited

## Notes to the Financial Statements

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

### 1. Company profile

1.1 The Company's registered place, organization structure and the address of head quarter.

China State Shipbuilding Corporation Limited (formerly known as China State Shipbuilding Corporation, hereinafter referred to as 'the Company', and uniformly referred to as "the Group" when including the subsidiaries), which was separated and restructured by the previous China Shipbuilding Industry Corporation, with the approval of the State Council, was established on July 1, 1999 and is a central enterprise directly managed by State-owned Assets Supervision and Administration Commission of the State Council (SASAC). On April 9, 2015, the Company obtained the reissued license of the business corporation of No. 100000000031917 from the Shanghai Administration for Industry and Commerce, with the registered capital of RMB 22 billion, as an enterprise owned by the whole people.

With the approval of SASAC, China State Shipbuilding Corporation Limited completed the Company restructuring. On November 10, 2017, it completed the registration of industrial and commercial changes; the name of the Company has been changed from "China State Shipbuilding Corporation" to "China State Shipbuilding Corporation Limited", the registered capital of the Company has been changed from RMB 22 billion to RMB 32 billion.

As of June 30, 2018, the Company's unified social credit code of business license is 91310000710924478P, with a legal representative of Lei Fanpei and a registered capital of RMB 32 billion. The registered address is No. 1 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone. The address of the headquarters is No.9 South Shou ti Road, Haidian District, Beijing.

1.2 The Company's business nature and main operation activities

The Group belongs to the metallic shipbuilding industry. The main business scope includes: investment and operating management of state-owned assets; investment projects of ships and marine engineering; aquatic and underwater ship weapons, civilian ships, marine equipment, marine

engineering equipment, research, design, development, manufacture, repair, lease, and sales of machinery and electronic equipment; technology development of transforming marine technology and equipment into land type technology and equipment; outside shipping repair; property management; self-operation and agency of the import and export business of all kinds of goods and technology (except the goods and technology which the nation restricts the operation by the Company or which are prohibited to be imported and exported); operating import material processing and the ‘three to fill one’ business (which means that accepting customers’ materials for processing, processing according to buyer’s samples, and assembling parts supplied by clients and compensation trade); operating counter trade and entrepot trade; contracting overseas marine engineering projects and domestic international tendering engineering projects; dispatching service laborers for implementing the above overseas projects; technology development, technology transfer, technical services, and technical consultation. The main products of the Group include all kinds of marine equipment for military use, general oil carriers, all kinds of civilian ships and facilities such as bulk cargo carriers, chemical cargo ships, Ro-Ro passenger ships, large container ships, large liquefied gas tankers, large self-unloading ships, high speed ships, liquefied natural gas ships, and ultra-large scale oil tankers, etc., and ocean engineering projects such as ultra deepwater semi submersible drilling platforms, self-lifting type drilling platforms, large offshore floating production oil storage vessels, multi cables geophysical prospecting ships, deepwater engineering survey vessels, large scale semi submersible vessels, and subsea pipeline laying vessels, which are mainly used in the fields such as marine defense, marine transportation, marine development, and marine scientific research, etc.

### 1.3 The parent company and the name of the Group headquarters

The SASAC exercises the rights of the contributors in accordance with the laws, the administrative regulations and the articles of association of the Company to ensure that the Company enjoys the operational autonomy in accordance with the laws, grants the authorization to the board of directors of the Company in accordance with the relevant provisions to exercise part of the powers of the contributors to decide on important matters of the Group corporation. The functional departments of the headquarters of the Company include: the general office, policies and regulations department, planning and development department, operation management department, human resources

department, accounting and finance department, science and technology department, military-industrial department, ships and marine engineering department, power and electrical machinery department, recently emerging industries department, quality and safety department, audit department, supervision department, party-masses relationship work department, work of retired cadres and workers department, etc. 298 subsidiaries included in the scope of consolidation, which consist of group headquarters, level two subsidiaries, level three subsidiaries, level four subsidiaries, level five subsidiaries and below.

## **2. Basis of preparation of financial statements**

On the basis of going concern and transactions and events actually occurred, the Group prepares its financial statements with the following accounting policies and accounting estimates in accordance with the Accounting Standards for Business Enterprises – basic Standards, specific accounting standards and other relevant provisions (hereinafter collectively known as "Accounting Standards for Business Enterprises" or "CAS")

## **3. Declaration on compliance with the Accounting Standards for Business Enterprises**

The financial statements have been prepared in compliance with the <Accounting Standards for Business Enterprises> to truly and completely reflect the Company's financial position as of June 30 2018 and its operating results, cash flows and other relevant information for the term ended June 30 2018.

## **4. Significant accounting policies and accounting estimates**

Special notes: except for the specifically noted accounting policies related to 'Accounting Systems of State-run Institutions Conducting Military Industry Scientific Research' and 'Accounting Systems of Higher Educational Institutions' which are implemented by affiliated state-run institutions, other notes are all accounting policies related to 'Accounting Standards for Business Enterprises', which are implemented by enterprises.

### **4.1 Accounting period**

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

### **4.2 Functional currency**



The functional currency of the Group and other subsidiaries is Chinese Yuan (“RMB”), except the following subsidiaries:

Name	Functional currency
China Shipbuilding Trading Co., Ltd (BVI)	USD
Flygt Shipping Co. Ltd.	USD
China Shipping New Energy (Singapore) Co. Ltd.	USD
China Shipbuilding Logistics (Hongkong) Co., Ltd.	USD
CEL Holding Compay limited	USD
CSZ Shipping Company Limited	USD
CSH Shipping Company Limited	USD
CS Shipping Company Limited	USD
CSHA Shipping Company Limited	USD
CSHB Shipping Company Limited	USD
Hualian Shipping Co., Ltd.	HKD
Pan-China Equipment Co. Ltd.	HKD
WAH LOONG INTERNATIONAL MARINE LIMITED	HKD
WAH SHUN INTERNATIONAL MARINE LIMITED	HKD
Hua Guang Development Co. Ltd.	HKD
Hongkong Marvy Co., Ltd.	HKD
The Only Low-Cost International Co. Ltd.	HKD
Huachang International Shipping Co. Ltd.	HKD
CP Global Holdings Company	HKD
China Ship (Hongkong) Shipping Leasing Co. Ltd.	HKD
Rui Lin Marine Engineering Co., Ltd.	HKD
Chabridge Shipping Co. Ltd.	HKD
Winterthur Gas & Diesel AG	CHF

#### 4.3 Bookkeeping basis and measurement principles

The accrual basis is used as the basis of accounting, and historical cost is the measurement principle except for trading financial assets and part of available-for-sale financial assets, which are measured at their fair value.

#### 4.4 Business combination

##### 4.4.1 Business combinations involving enterprises under the same control

The assets and liabilities obtained by the group as the acquirer under the same control are measured using book values on the combining date in the consolidated statement of the final control party. The

difference between the book value of the net assets obtained and the book value of the combination consideration paid is adjusted against the capital reserve, and the retained earnings shall be deducted if the capital surplus is not enough.

#### 4.4.2 Business combinations involving enterprises not under the same control

At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree not under the same control are measured at their fair values. The cost of acquisition is the total amount of the fair value of cash or non-cash assets, liabilities issued or assumed, equity investments issued, and all kinds of direct expenses paid to obtain the controlling right. (For the business combination realized through multiple steps, the acquisition cost is the total cost of each individual transaction.) The difference of the combination costs in excess of its interest portion at fair value of the net identifiable assets acquired will be recognized as goodwill. If not, the fair value of each identifiable asset, liability and contingent liability obtained in the combination, and the fair value of the non-cash assets or equity securities issued as the consideration of the acquisition will be reassessed. Then the difference of the combination costs less than its interest portion at fair values of net identifiable assets acquired from the acquiree will be recognized in the non-operating income during current period.

#### 4.5 Preparation of consolidated financial statements

##### 4.5.1 The scope of consolidated financial statements

The Group incorporates all its subsidiaries into the scope of the consolidated financial statements

##### 4.5.2 Principles, procedures and methods to prepare the consolidated financial statements

If the subsidiaries adopt different accounting policies or accounting period compared with those of the Company, the Company shall make necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

All the significant internal transactions, related parties receivables and payables, and unrealized profits within the consolidation scope are offset when the consolidated financial statements are prepared. The portion in shareholder's equities of the subsidiary not attributable to the parent Company, and the portion of net profits or losses of current period, plus other comprehensive income and total comprehensive income of the subsidiary attributable to the minor shareholders' equities, are

separately included in “minor equity, minor interest income, other comprehensive income attributable to minority interests, and total comprehensive income attributable to minority interests” of the consolidated financial statements.

For subsidiaries acquired from the business combination under the same control, the results of its operation and the cash flows of the subsidiary are included in the consolidated financial statements since the beginning of the current period of the consolidation. When preparing the comparative consolidated financial statements, the Group adjusts the related items of financial statements in the last year as if the reporting entities formed after the acquisition has existed since the ultimate controlling party started to control.

In the situation where the Group obtains the share rights of the invested entity under the same control through multiple steps to realize the business combination ultimately, when preparing the consolidated financial statements, it is treated as the adjustments are made in the current status since the ultimate controlling party started to control. When preparing the comparative financial statements, taking the time point not earlier than the time when the Group and the acquired party are under the same control of the ultimate controlling party, the related assets and liabilities of the acquired party are incorporated into the comparative statements of the consolidated financial statements of the Group, and the net assets increased from the combination are adjusted into the related items under the sector of shareholders’ equities of the comparative financial statements. To avoid the double calculate the value of the net assets of the acquired party, the long term equity investments held by the Group, the recognized profits and losses, and the changes in the other comprehensive and other net assets between the later one of the two dates, which are the date of acquiring the original share rights, and the date when the Group and the acquired party are under the control of the same ultimate party, shall be separately offset against the beginning balance of the retained earnings and profits or losses in the current period of the period in the comparative financial statements .

For subsidiaries acquired from the business combination but not under same control, the results of its operation and cash flows since the date when the Group obtained the controlling right are included in the consolidate financial statements. When preparing the consolidated financial statements, the

Group makes adjustments in the financial statements of the subsidiary based on the fair value of each identifiable asset, liability and contingent liability determined on the date of acquisition.

In the situation where the Group obtains the share rights in the invested entity not under the same control through multiple steps of transactions, and ultimately forms the business combination, when preparing the consolidated financial statements, as to the share rights in the acquired party held before the date of acquisition, the share rights shall be reassessed based on their fair value on the date of acquisition. The difference between the fair value and the book value shall be recognized in the profits or losses in the current period. The share rights of the acquired party held before the date of acquisition, related to the other comprehensive income recognized under the equity method, and other changes in the shareholders' equities not caused by changes in net profits and losses, other comprehensive income and profit distribution, are transferred to profits and losses on investment in the period of acquisition, except for the other comprehensive income generated from the changes in net liabilities or net assets due to the reassessment of defined benefit plans of the invested party.

For a transaction in which the Group disposes a portion of the long term equity investment but not losing the control of the subsidiary, when preparing the consolidated financial statements, the Group makes adjustments to the capital premium or share premium to reflect the difference between the cost of disposal and the entitled portion of the net assets in the subsidiary calculated continuously since the date of acquisition or the date of combination related to the long term equity investment disposed. If the capital reserve is insufficient to be offset, the retained earnings are adjusted.

In the situation of losing the controlling right to the invested party due to reasons such as disposing a portion of the share rights, when preparing the consolidated financial statements, for the rest of share rights, the Group remeasures the investment at their fair values on the date when the Group loses its controlling right. The difference from the total value of the consideration received from disposal plus the fair value of the rest of share rights minus the entitled portion of the net assets of the subsidiary by continuous calculation starting from the date of acquisition or the date of combination according to the original shareholding percentage, shall be included into the profits or losses on investment in the period which the Group loses its control; meanwhile, goodwill is written off. The other comprehensive income related to the original equity investment in the subsidiary shall be transferred into the current period investment income or loss when losing the controlling right.

In the situation of losing controlling right due to multiple steps of transactions to dispose the share rights of a subsidiary by the Group, if each transaction of disposing the equity investment in the subsidiary until losing the controlling right belongs to a package deal, the Group treats all transactions as one transaction of disposing the subsidiary until losing the controlling right. However, the difference between each disposal consideration and the entitled portion of the net assets in the subsidiary of each transaction happened before losing the controlling right shall be recognized as other comprehensive income in the consolidated financial statements, and are transferred into current profits and losses when losing the controlling right.

#### 4.6 Joint arrangement classification and accounting treatments

##### 4.6.1 The classification of joint arrangement

Joint arrangements of the group are classified as joint operations or joint ventures.

##### 4.6.2 The accounting treatment of joint operations

As the joint operating party of the joint venture arrangement, the Group recognizes the assets separately owned and assumed liabilities, and recognizes the assets held and liabilities assumed according to the portion. According to the related agreement, the Group recognizes the related revenues and expenses separately or by portion. For the transactions of purchase and sales of the assets not consisting of business incurred with the joint venture operation, only the profits and losses generated due to such transactions attributable to the portion of other parties in the joint venture operation are recognized.

##### 4.6.3 The accounting treatment of joint ventures

The parties participating in a joint venture check and calculate their investment in accordance with Accounting Standards for Business Enterprises No.2 - Long-term Equity Investment. The other parties involving in joint ventures not in same control shall check and calculate their investments according to the extent of their influence on the joint ventures.

#### 4.7 Cash and cash equivalents

The cash in the Group's statement of cash flows is cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the statement of cash flows are short-term no more than 3 months, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in values.

#### 4.8 Foreign currency transactions and translation of financial statements denominated in foreign currency

##### 4.8.1 Translation of foreign currency transactions

Foreign currency transactions of the Group are translated into RMB amount at the spot exchange rate on the date when the transaction happens. On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. The exchange difference generated is all recognized into profits or losses in the current period, except for: (1) that the exchange difference caused by special funds borrowed to purchase, construct or produce assets qualified for capitalization, is treated according to the principle of capitalization; (2) that the exchange difference from the hedge instrument executed to avoid the risk of foreign exchange is treated according to the accounting method of hedge.

##### 4.8.2 The translation of financial statements denominated in foreign currency

For the financial statements of overseas operating entities included in the scope of consolidation, the Group translates them into RMB financial statements to prepare the financial statements.

(1) The asset and liability items of the foreign currency balance sheet are translated in accordance with the spot exchange rate on June 30, 2018; Shareholders' equity items except for 'retained earnings' are translated according to the spot exchange rate when the business incurs.

(2) The revenue and expense items of the income statement are translated in accordance with the average spot exchange rate of January 1, 2018 and June 30, 2018.

(3) The above translation differences generated from the translation of foreign currency financial statements are listed separately in the items of shareholders' equity.

(4) Foreign currency cash flows are translated in accordance with the average amount of the spot exchange rate on January 1, 2018 and June 30, 2018. The impact of exchange rate changes on cash is separately presented in the statement of cash flows.

#### 4.9 Financial instruments

##### 4.9.1 Financial assets

A financial asset or a financial liability is recognized when the Group becomes a party of a financial instrument contract.

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



The Group classifies the owned financial assets into financial assets and financial liabilities at fair value through profits or losses, held-to-maturity investments, receivables and available-for-sale financial assets based on the purpose of investments and the economic nature.

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated at fair value through profits or losses when initially recognized. The Group classifies a financial asset qualified for one of the following conditions as a trading financial asset: 1) the purpose to acquire the financial asset is for sale within a short period; 2) the financial asset belongs to a portion of an identifiable financial instrument portfolio managed collectively, and objective evidence indicates that the Group adopts the method of obtaining short-term profits to manage the portfolio recently; 3) the financial asset belongs to the derivative instrument; however, a derivative instrument is excluded if the instrument is designated as a derivative instrument of effectively hedging instrument, a derivative instrument belonged to a derivative instrument financial guaranty contract, and a derivative instrument pegged to an equity instrument which does not have a quotation in an active market, of which the fair value cannot be measured reliably, and which must be delivered in the settlement of the derivative instrument. A financial asset, only qualified with one of the following conditions, can be designated by the Group as a financial asset at fair values through profits or losses when initially recognized: 1) such designation can eliminate or significantly reduce the situation of inconsistency in the recognition or measurement of related gains or losses resulted from the difference of measurement basis of such financial assets; 2) the formally written document of the Group of risk management or investment strategy has indicated that the portfolio of the financial instrument is managed, evaluated and reported to the key management staff based on fair values; 3) includes one or multiple hybrid instruments embedding derivative instruments, unless the embedded derivative instrument does not significantly change the cash flows of the hybrid instrument, or the embedded instrument obviously shall not be split from the related hybrid instrument; 4) includes hybrid instruments containing embedded derivative instruments which needs to be split but cannot be measured separately at the date of acquisition or the subsequent balance sheet date. Such category of financial assets designated by the Group mainly includes stocks, funds and partial foreign currency forward contracts. For this category of financial assets, the Group adopts fair values for the subsequent measurement. The change in fair values is recognized into the profits

or losses from changes in fair values. The interests or cash dividends received when holding the asset is recognized as investment revenues. At disposal, the difference between the fair value and the initial entry value is recognized as profits or losses from investment, and the profits or losses from changes in fair value is adjusted at the same time.

Held-to-maturity investments refer to the non-derivative financial assets with fixed date of maturity and a fixed or determinable recoverable amount that the Group has positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective rate of interest method. The gains or losses generated from amortization, or impairment and de-recognition is all recognized into profits or losses in the current period.

Receivables refer to the non-derivative financial assets with a fixed or determinable recoverable amount that do not have a quotation in an active market. Receivables are subsequently measured at amortized cost using the effective rate of interest method. The gains or losses generated from amortization, or impairment and de-recognition is all recognized into profits or losses in the current period.

Available-for-sale financial assets refer to the non-derivative financial assets that are either designated as available-for-sale financial assets when initially recognized or financial assets not classified into other categories. In the category of such assets, the equity instrument investments which do not have a quotation in an active market and the fair value cannot be reliably measured and the derivative financial assets which are pegged to such equity instrument and must be settled by the delivery of such equity instrument are subsequently measured at historical costs. Other assets which have a quotation in the active market or although do not have an active market quotation but the fair value of such asset can be reliably measured are measured according to the fair value. The change in fair values is recognized into other comprehensive income. For such category of financial assets which the fair value is adopted to conduct the subsequent measurement, except for the impairment loss and the exchange gains or losses generated from the foreign currency monetary financial assets, the changes in fair values of available-for-sale financial assets is directly recognized into shareholders' equities. When the financial assets are de-recognized, the accumulated amount of changes in fair values previously recognized into equity is transferred into profits or losses in the current period. Interests of available-for-sale debt instrument calculated according to the effective

rate of interest method during the holding period and the cash dividends declared and distributed by the invested entity related to the investments of available-for-sale equity instrument are recognized as investment revenues into profits or losses in the current period. The equity instrument investments which do not have a quotation in an active market and the fair value cannot be reliably measured are measured at historical costs.

(2) Determination basis and measurement method of financial asset transfer

Financial assets meeting one of the following conditions shall be de-recognized: ① the contractual right to collect the cash flows of the financial asset has been terminated; ② the financial assets have been transferred and the Group has substantially transferred all the risks and rewards on the ownership of the financial assets to the party of transferee; ③ the financial assets have been transferred, although the Group has neither transferred nor retained almost all the risks and rewards on the ownership of the financial assets, the Group has waived the control over the financial assets.

Where the Company neither transfers nor retains almost all the risks and rewards on the ownership of the financial assets, if the control over the financial assets is also not waived, the relevant financial assets shall be recognized according to the extent to which the Company continuously involves in the transferred financial assets, and the relevant liabilities shall be recognized correspondingly.

If the entire transfer of the financial assets meets de-recognition conditions, the difference between the book value of the transferred financial assets and the sum of the consideration received from the transfer and the accumulated amount of changes in fair value previously recognized in other comprehensive income shall be recognized into profits or losses in the current period.

Where the partial transfer of the financial assets meets the de-recognition conditions, the carrying value of the transferred financial assets shall be allocated between the de-recognized and non-derecognized portions according to their corresponding fair values respectively; and the balance between the sum of the consideration received from the transfer and the accumulated amount of changes in fair values which was previously recognized into other comprehensive income of the derecognized portion and the aforementioned allocated carrying amount shall be recognized into profits or losses in the current period.

(3) Test method and accounting treatment of financial asset impairment

The Group examines the book value of other financial assets other than the financial assets at fair values through profits or losses at the balance sheet date. Impairment provision of financial assets is accrued when objective evidence indicates that an impairment of a financial asset has incurred.

When the financial assets measured at amortized cost incurs impairment, the impairment provision is accrued by the extent that the present value of its estimated future cash flows (excluding future credit loss that has not incurred) is lower than the book value. If there is objective evidence indicating that the value of the financial asset is recovered and the recovery is objectively related to matters incurred after the impairment was recognized, the previously recognized impairment loss is reversed and recognized into profits or losses in the current period.

When the financial assets available for sale incurs a decline in the fair values to a relatively large degree or a permanent decline, the accumulated losses, which was directly recorded in shareholders' equities and previously formed due to the decline of fair values, are transferred out and recognized as impairment losses. For an available-for-sale investment in a debt instrument on which an impairment loss has been recognized, if in the subsequent period, its fair value increases and the increase is objectively related to an event incurred after the impairment loss was recognized, the previously recognized impairment loss is reversed and recognized into profits or losses in the current period. For an investment in an equity instrument classified as available-for-sale equity on which an impairment loss has been recognized, the increase in its fair values in a subsequent period is directly recognized into shareholders' equities. The impairment loss accrued on equity instrument investments which do not have quotations in an active market and the fair value cannot be reliably measured is unable to be reversed in the subsequent period.

Recognition criteria of the impairment of available-for-sale equity instruments: On the balance sheet date, the available-for-sale financial asset impairs if any of the below situations occur, and the impairment provision is accrued by the extent that the fair value is lower than the acquisition cost, and recognized in the profits or losses in the current period: ① The fair value is lower more than 40% of the acquisition cost on the balance sheet date (more than 60% with the temporary loss). ② At the balance sheet date, the fair value at the end of each month are lower than 70% of acquisition cost or more for 6 consecutive months (loss more than 30% with the temporary). ③ At the balance sheet

date, the fair value at the end of each month is lower than 80% of acquisition cost or more (more than 20% with the temporary loss) for 24 consecutive months.

The second-level investment companies that achieve agreements with commercial banks, securities companies, trust companies to purchase financial assets, such as financial products, asset management plans, trust schemes, etc., which are recognized according to the amortized cost, shall implement impairment tests for each product at the date of balance sheet. For products with no evidence for impairment during the aforementioned tests, impairment provision shall be accrued according to 1-5% of the ending balance of those financial assets.

The second-level financial companies that achieve agreements with commercial banks, securities companies, trust companies to purchase financial assets, such as financial products, asset management plans, trust schemes, etc., which are recognized according to the amortized cost, shall implement impairment tests for products which are individually significant at the date of balance sheet. For those products with no evidence for impairment during the aforementioned tests, impairment provision shall be accrued 5-35% of the ending balance of those financial assets by investment portfolio based on the market situation.

#### 4.9.2 Financial liabilities

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

Financial liabilities of the Group are classified, at the time of initial recognition, as financial liabilities at fair values through profits or losses, and other financial liabilities.

Financial liabilities at fair values through profits or losses include trading financial liabilities and financial liabilities at fair values through profits or losses designated at the initial recognition. For such financial liabilities, subsequent measurement shall be performed based on fair values. Gains or losses arising from the changes of fair value as well as the dividend and interest expenditures related to the financial liabilities shall be included into profits or losses in the current period.

Other financial liabilities, which are mainly accounts payable generated from purchase of goods, long-term and short-term loans, long-term payables, etc. are subsequently measured at amortized costs using the effective rate of interest method.

(2) Conditions to terminate the recognition of financial liabilities

Where the current obligation of financial liability has been terminated entirely or partially, the Group terminates the recognition of such financial liabilities or obligations of the released part. In the situation where the Company signs agreements between the creditors to replace the currently existing financial liabilities by the method of assuming new financial liabilities, and where the contractual clauses of the new financial liabilities are different in nature with those of the current financial liabilities, stop to recognize the currently existing financial liabilities, and recognize a new financial liability at the same time. In the situation when the Company makes substantial amendments to all or part of the contractual clauses of the currently existing financial liabilities, terminate the recognition of the currently existing financial liabilities or a portion of such liabilities, and recognize the financial liability after the change of the contractual clauses as a new financial liability at the same time. The difference between the book value of the derecognized part and the paid consideration shall be included into profits or losses in the current period.

4.9.3 Determination methods on fair value of financial assets and financial liabilities

The Group adopts the fair values of the prices in the primary market to measure financial assets and financial liabilities. When a primary market does not exist, use the most favorable market prices to measure the fair values of financial assets and financial liabilities, and adopt the valuation techniques which are applicable at that time and which are with the sufficient available date and other information to support. The input value used in fair value measurement is classified into three levels. Namely the first level input value is the unadjusted quotation in the active market which can be obtained on the date of measurement for the same assets or liabilities. The input value of the second level is the directly or indirectly observable input value of the related assets or liabilities other than the input value of the first level. The third level input value is the non-observable input value of the related assets or liabilities. The Group preferably adopts the input value of the first level, and adopts the input value of the third level lastly. The first level input value is adopted for the stocks and funds. The second level input value is adopted for the foreign currency forward contract. The level to which the measurement results of fair value belong is determined by the lowest level to which the input value that is significant to the entire fair value measurement belongs.



#### 4.10 Hedging instruments

The hedging business of the Group includes the fair value hedges, cash flow hedges, and net investment in overseas operating hedges. When the hedging business is qualified for the following conditions, recognize the result from offsetting the changes of fair values of hedging instruments and the hedged items during the same accounting period into profits or losses in the current period.

4.10.1 When the hedge starts, a formal designation about the hedge relationship (namely, the relationship between the hedging instrument and the hedged item) is provided, and the formal written documents about the hedging relationship, the objectives of risk management and the hedging strategies are prepared. Such documents shall at least state clearly the contents such as hedging instrument, the hedged item, the nature of the hedged risk and the evaluation method on the effectiveness of the hedge, etc. The hedge must be related to the risks which are specifically identifiable and are designated, and will impact the profits or losses of the enterprise ultimately;

4.10.2 Such hedge is expected to be highly effective, and is qualified for the risk management strategies originally determined by the Group for such hedging relationship;

4.10.3 For the cash flow hedges of the estimated transactions, the estimated transactions shall be likely to happen, and must make the Group to face with the risks of cash flow changes which will impact the profits or losses ultimately;

4.10.4 The effectiveness of hedging can be measured reliably;

4.10.5 The Group continuously evaluates the effectiveness of the hedge, and ensures that such hedge is highly effective during the accounting period in which such hedging relationship is designated.

To avoid the risk of foreign currency, the Group offsets as much as possible the risks generated due to the change of foreign exchange rates, namely the risks which the loss of foreign exchange rates cannot be locked and which the future revenue is uncertain, develops the financial derivative business (hedges) to lock the change of foreign exchange rates on the USD ship progress payment to be collected in future periods through the forward settlement of exchange (including the extension of forward settlement of exchange), fixes the exchange loss of the corporate USD revenues, and adopts the treatment method of hedge accounting.

The Group designates the hedged item as the determined commitment (the USD ship progress payment which will be collected in the future at a certain amount). The corresponding hedging

instrument is the foreign currency forward contract signed with the counterpart banks to avoid the foreign exchange risks. Gains or losses of the estimated fair values on the foreign currency forward contract generated due to the changes of foreign exchange rates are offset the gains or losses of the determined commitment generated due to the changes of the exchange rate.

The Group takes the comparison method of the main clauses of the contracts (agreements) to make the prospective evaluation on the effectiveness of the hedges. At the end of the reporting period, the Group takes the ratio analysis method to make the retrospective evaluation on the effectiveness of the hedges.

#### 4.11 Trade receivables

The Group considers the following conditions as the criteria of the provision for bad debts on receivables: the debtor entities are dissolved, bankrupt, insolvent, in significant difficulty in cash flows, or suspended their businesses due to natural disasters, and unable to settle debts in the foreseeable period; debtor entities are defaulted on the debt obligations for more than five years; other conclusive evidences indicating that the debts are indeed not recovered or not likely to be recovered.

The allowance method is adopted to measure the bad debt loss likely to incur. At the end of the period, impairment tests are implemented on individual or portfolio basis. Provision for bad debts is recognized into the profits or losses in the current period. When there are conclusive evidences indicating that the receivable is indeed unable to be recovered, such receivable is treated as the loss of bad debts and is written off against the bad debt provision after such receivable is approved through the stipulated procedures by the Group.

##### 4.11.1 Provision of doubtful debts allowance for individually significant receivables

Criteria of individually significant receivables	Balance reaches or exceeds RMB ¥1,000,000 (ship-building enterprises) or RMB ¥300,000 (other enterprises) and signs of impairment existing; or balance reaches or exceeds 5% of the total balance of receivables in one category.
Method of provision for allowance for bad debt expense and individually significant receivables	Provision for bad debts is accrued by the extent that the present value of future cash flows is less than its book value

Note: The judgement standard of the individually significant receivables of the level two entity, CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) is: individual amount more than RMB 10 million. The judgement standard of the individually significant receivables of the level two entities, CSSC Steel Structure Engineering Co., Ltd (a listed company) is: receivables with

the ending balance more than RMB 1 million and with the evidence of impairment existed, or the ending balance greater than 5% of the total balance of receivables in the same category. The judgement standard of the individually significant receivables of the level two entity China CSSC Holdings Limited (a listed company) is: the top five clients according to the balance of accounts receivable.

#### 4. 11.2 Allowance for bad debt expense in receivables on portfolio of credit risk characteristics basis

Basis to determine the portfolios	
Related party receivables	The amounts of related party receivables are classified to a portfolio by the credit risk characteristics
Receivables determined to be recoverable basically	Amounts such as recovered during the period subsequent to the balance sheet date, allowance receivable, and petty cash for workers, etc. which are determined to be recoverable basically or the risk of recoverability is minimal
Percentage of portfolio balance	The level two entity, CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) combines receivables, which are individually tested to not be impaired, with other receivables, which are individually insignificant, into one portfolio
Receivables from state-run institutions	Receivables from state-run institutions are classified as a portfolio by the credit risk characteristics
Portfolio of aging	Portfolios are classified by taking the ages of receivables as the credit risk characteristics
Accrual method of bad debts provision by portfolios	
Related party receivables	If no evidence of impairment exists, the impairment test is not performed and no provision for bad debts is accrued. If the evidence of impairment exists, the impairment test is implemented and the provision for bad debts is accrued by the extent that the present value of future cash flows is less than its book value.
Receivables determined to be recoverable basically	No provision for bad debts is accrued
Percentage of balance portfolio	The level two entity CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) accrues the bad debt provision for the receivables individually tested to not be impaired, by combining such receivables with other receivables which are individually insignificant, according to the 0.5% of the balances at the balance sheet date.
Receivables from state-run institutions	No provision for bad debts is accrued
Portfolio of aging	Bad debts provision is accrued according to the aging analysis method

Portfolios that aging analysis is used for calculation of the allowance for bad debt expense:

Aging	Allowance percentage for accounts receivables of ship-building corporation (%)	Allowance percentage for accounts receivables of non ship-building corporation (%)
Within 6 months (including 6 months)	0	0
6-12 months (including 12 months)	0.5	0.5
1-2 years	10	30
2-3 years	30	60
3-4 years	50	100

Aging	Allowance percentage for accounts receivables of ship-building corporation (%)	Allowance percentage for accounts receivables of non ship-building corporation (%)
4-5 years	80	100
More than 5 years	100	100

Note: The accrual percentage of the level four enterprises CSSC Shenghui Equipment Co., Ltd is as following:

Aging	Within 6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Percentage	0%	5%	10%	30%	50%	80%	100%

#### 4.11.3 Provision of allowance for bad debt expense for individually insignificant receivables

Criteria of individually insignificant receivables	The amount of receivables does not take up a high portion, and the risk characteristics cannot be reflected sufficiently when put into a combination
Method of provision for allowance for bad debt expense with individually insignificant receivables amount	Bad debts provision accrued by the extent that the present value of future cash flows is lower than its book value.

#### 4.12 Inventories

The inventories of the Group mainly include raw materials, packaging materials, low-valued consumables, work in process, finished goods and unsettled engineering projects, etc.

The perpetual inventory system is executed to the inventories. Inventories are measured at actual costs when acquired; for inventories with similar properties and uses, adopt the same cost calculation method to determine the cost of inventories delivered. For inventories, which cannot be substituted for use, inventories acquired or manufactured for a specific project and the cost of providing services, the specific identification method is adopted to determine the cost of inventories delivered. The weighted average method (moving weighted average method or one time weighted average method at the end of month) is generally adopted for other inventories. Under special circumstances where the situation is approved by the board of directors of the enterprise or the similar authority, and put on record by reporting the case to the Group Corporation of CSSC, FIFO method can also be applied to determine the actual costs. One-time-written-off method or 50%/50% split amortization method is adopted to amortize the turnover materials (including low-value consumables and packaging materials).

At the end of the period, inventories are measured based on the principles of the lower of the cost and the net realizable value. The inventory falling price provision is accrued on the portion of inventory cost expected to be uncollectable for the reasons such as the inventories are suffered damages, entirely or partially obsolete or selling prices are lower than costs. The inventory falling

price provision on merchandise inventory and the bulk raw materials is accrued by the extent that the cost of each individual inventory is higher than the net realizable value. For raw and auxiliary materials, which are large in quantities and with a relatively low unit price, the inventory falling price provision is accrued based on their categories.

The net realizable values of these inventories, such as finished goods, work in process and materials for sale, are determined by deducting estimated sales expenses and relevant taxes from estimated selling prices. The net realizable values of material inventories held for production are determined by deducting costs estimated to incur until the completion, estimated sales expenses and relevant tax and fees from estimated selling prices of the finished goods.

#### 4.13 Long-term account receivables

For the long-term receivables generated from sales of goods or provision of services by adopting the deferred method with a nature of financing, the discounted present value of the price of contract or agreement (by deducting the unrealized finance income from the receivable contract or agreement price) shall be taken as the initial entry value. Long term receivables generated from the financing lease, the initial entry value is the sum of the minimum lease receipts at the lease starting date and the initial direct costs. Unrealized financing income is the difference between the total number of the minimum lease receipts, the initial direct costs and the non-guaranteed residual values and the sum of their present values.

At the end of the period, the long-term account receivables are individually tested for impairment. The impairment loss shall be recognized, and the bad debts provision shall be accrued by the extent that the present values of future cash flows are less than their book values.

#### 4.14 Long-term equity investments

##### 4.14.1 Judgments to determine the control, joint control or significant influence over the invested entity

Long-term equity investments of the Group mainly include equity investments in entities over which the Group can implement control and significant influence; and the equity investments to its joint ventures.

Control refers that the Group has the right to the invested party by participating the related activities of the invested party to entitle the variable returns and has the ability to use its right over the invested party to affect the amount of returns.

Joint control is the control jointly owned to a certain arrangement according to the related agreement, and the related activity under the arrangement must be unanimously agreed by the parties sharing the controlling right to be determined. Joint venture arrangement refers that an arrangement together controlled by two or more parties. A joint venture enterprise refers to a joint venture arrangement under which the parties are only entitled to the right of the net assets of the arrangement.

Significant influence refers to the situation where the investors have the power to participate in the decision-making of the financial and operating policies of invested party, but are not able to control or jointly control, together with other parties, the formulation of these policies. The determination criteria of the significant influence mainly is that the Group designates representatives in the board of directors or the similar authority in the invested entity to implement the significant influence through the right to speak in the decision-making process of financial and operating policies in the invested entity to significantly influence it. When the Group directly or indirectly owned 20% or more but less than 50% of shares with voting rights in the invested company through subsidiaries, significant influence cannot be formed where there is objective evidence indicating that the Group is incapable of participating in the decision-making of operating policies in the invested entity. When determining whether it can exert significant influence in the invested entity, the Group will not only consider the voting shares directly or indirectly held in the invested entity, but also consider the potential voting right held by the Group and other parties which is conductible in the current period based on the assumption that the right is converted into the share equity right of the invested entity, such as the impact of convertible stock warrants which can be converted in the current period, stock options and the convertible corporate bonds issued by the invested entity, etc.

#### 4.14.2 Cost determination, subsequent measurement and profit recognizing method of long-term equity investments

The initial investment cost is determined according to the share entitled in the book value of the shareholders' equities of the acquired party in the consolidated financial statements of the ultimate controlling party on the date of acquisition by way of paying cash, transferring non-cash assets or



assuming liabilities as the consideration of the combination. The difference between the initial investment costs and the cash paid, non-cash assets transferred and the book value of the liabilities assumed is adjusted to the share premium in the capital reserve. If the share premium in the capital reserve is insufficient to offset, then the retained earnings shall be adjusted.

When the Group issues the equity securities as the consideration of the combination, the initial investment cost is determined according to the share entitled in the book value of the shareholders' equities of the acquired party in the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial investment cost of the long-term equity investment and the total face value of the share issued is adjusted to the share premium of the capital reserve. If the share premium in the capital reserve is insufficient to offset, then the retained earnings shall be adjusted.

For the business combination not under the same control: the Company adopts the cost of acquisition determined on the date of acquisition as the initial investment cost of the long-term equity investment.

The intermediary fees incurred for the business combination by the purchaser such as audit, legal service, valuation and consulting fees, and other related management fees are recognized into profits or losses in the current period when incurred. The transaction costs incurred for issuing the equity securities or debt securities as the combination consideration shall be recognized into the initial recognized amount of the equity securities or the debt securities.

For long-term equity investments acquired by way other than the aforementioned methods, for the long-term equity investments acquired by paying cash, the purchasing price actually paid is considered as the investment cost. For long-term equity investment acquired by issuing equity securities, the fair value of the equity securities issued is adopted as the investment cost. For long-term equity investments injected by the investors, the investment cost is determined as the agreed value stipulated in the investment contracts or agreements. For long-term equity investments acquired by way of debt restructuring, non-monetary assets exchange, etc. the investment cost is determined according to the stipulations of the related accounting standards.

The Group adopts the cost method to measure the long-term equity investments over which the Group can conduct control to the invested entities. For joint ventures and associate enterprises, the Group adopts the equity method for the measurement.

When adopting the cost method in measurement, the long-term equity investments are valued at the initial investment costs, and adjustments are made to the cost of the long-term equity investments when additional capital is made or capital is withdrawn. The declared and distributed profits or cash dividends are recognized as investment revenues.

When using the equity method, the difference by which the initial investment cost is greater than the entitled fair value of the identifiable net assets in the invested entity shall not be adjusted to the initial investment cost of the long-term equity investment. If the difference by which the initial investment cost is less than the entitled fair value of the identifiable net assets in the invested entity, the difference is recognized into profits or losses in the current period. Meanwhile, the investment cost of long-term equity investment is adjusted. After acquiring long-term equity investments, according to the entitled or shared portion of the net profits or losses and other comprehensive income in the invested entity, the Group recognizes investment income and other comprehensive income respectively. Meanwhile, the Group adjusts the book value of the long-term equity investments. For the entitled portion calculated by the investors in accordance with the declared and distributed profits or cash dividends by the invested company, the book value of the long-term equity investment shall be reduced accordingly. For the other changes in the shareholders' equities except for the net profits or losses, other comprehensive income and profit distribution in the invested company, adjustments are made to the book value of the long-term equity investments, and are recognized into the shareholders' equities. When recognizing the entitled share in the net profit of the invested entity, the fair value of each identifiable asset in the invested entity is adopted as the basis, according to the accounting policies and accounting period of the Group; adjustments are made to the net profit of the invested entity, and the unrealized profits or losses in the internal transactions between joint ventures and associate enterprises are offset according to the portion attributable to the investor enterprise which is calculated based on the entitled portion in the invested entity to recognize the investment income.

#### 4.14.3 Change in the sub-classification of the long-term equity investments

In the situation where the Group can conduct joint control or significant influence but not constituting control due to reasons such as making an additional investment, the fair value of equity investment in the available-for-sale financial assets previously held plus the newly added cost of investment is recognized as the initial investment cost under the equity method. The difference between the fair value and the book value, and the accumulated change in fair value previously recognized into the other comprehensive income is transferred into the profits or losses in the current period under the equity method. Regarding the difference between the aforementioned initial investment cost calculated, and the fair value of the identifiable net assets entitled in the invested entity at the date of contributing the additional investments which is calculated according to the new shareholding ratio after making the additional capital investment, if the former amount is greater than the latter amount, no adjustment is made to the book value of the long-term equity investment. If the former amount is less than the latter amount, the difference is adjusted to the book value of the long-term equity investment and is recognized into current period non-operating revenues.

For the long-term equity investments over which the Group can conduct control to the invested entity not under the same control due to reasons of making an additional investment, when preparing the individual financial statements, the Group adopts the book value of the equity investment previously held plus the newly added investment cost as the total amount of the initial investment cost when changed to the measurement under the cost method. When disposing the investment, the other comprehensive income recognized under the equity method of the equity investment owned before the date of acquisition is treated according to the accounting method on the same basis which is adopted by the invested entity when such entity disposes the related assets or liabilities directly. Regarding the accounting treatment of the financial assets classified as available-for-sale financial assets previously held before the date of acquisition, the accumulated fair value changes recognized into the other comprehensive income is transferred into the profits or losses in the current period when changed to be measured under the cost method.

In the situation where the Group does not joint control or no longer has significant influence over the invested entity due to the reasons such as disposing a portion of the equity investment, the rest of the share equity after the disposal is classified as the available-for-sale financial asset. The difference

between the fair value at the date when the Group loses the joint control or the significant influence and the book value is recognized into the profits or losses in the current period. The other comprehensive income of the previous equity investment recognized under the equity method is treated according to the accounting treatment same to the basis adopted by the invested entity to directly dispose the related assets or liabilities when terminating the measurement under the equity method;

In the situation where the investor party loses the control to the invested entity due to the reasons such as disposing a portion of the equity investment, when preparing the individual financial statements, if the rest of the share equity can impose the joint control or significant influence over the invested entity after the disposal, the equity method shall be adopted and adjustments shall be made to the rest portion of share equity as if the equity right were to be measured since acquired under the equity method. If the rest portion of the share equity after the disposal cannot impose the control or significant influence over the invested entity, the investment is reclassified into the available-for-sale financial assets, the difference between the fair value on the date when losing the right of control and the book value is recognized into profits or losses in the current period.

#### 4.14.4 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 recognized as the current period investment income. For long-term investments accounted for under the equity method, when disposing the investments, the Group adopts the same basis as the basis adopted by the invested entity to directly dispose the related assets or liabilities, and makes the related accounting treatment to the portion previously recognized into the other comprehensive income according to the corresponding percentage.

#### 4.15 Entrusted loans

The pricing and revenue recognition method of the entrusted loans: record the amount by which the Group actually entrusts the financial institutions to grant the loans, and calculate the accrued interest according to the accrual basis. The Group shall stop accruing interests and reverse interests previously accrued if the accrued interests cannot be collected at maturity.

The entrusted loan is measured by the lower of the book value and the recoverable amount at the end of year. When principal is higher than its recoverable amount, entrusted loan impairment provision can be recognized, and the balance accrued each half year or at a year end.

#### 4.16 Investment properties

Investment property of the Group includes land use rights and buildings leased to other parties.

The cost of the investment properties of the Group is taken as the entry value. The cost of an investment property purchased from outside consists of the acquisition price, relevant taxes and fees, and other expenditures which can be directly attributable to such asset. The cost of a self-built investment property consists of the necessary expenditures for building the asset to reach the expected status of use.

The Group subsequently measures the investment property through the cost pattern. Depreciation or amortization is accrued based on the estimated useful life and the rate of net salvage value. The estimated useful life, rate of the net salvage value, and the annual depreciation (amortization) rate are listed below:

Classification	Term of depreciation (year)	Estimated rate of net salvage value (%)	Annual depreciation rate (%)
Land use rights	35-70	—	1.43-2.86
Houses and buildings	20-70	0-5	1.36-5

Where the usage of an investment property is changed to be used by the owner itself, such investment property shall be reclassified as a fixed asset or an intangible asset since the date of the change. Where the usage of a self-used house and land use right is changed to earning rental income or capital appreciation, such asset will be transferred from fixed asset or intangible asset into investment property as from the date of change. When converting, the carrying amount before the conversion is taken as the entry value of the asset.

An investment property is derecognized when it is disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected to gain from its disposal. The net amount of proceeds from disposal income from the sale, transfer, scrap or damage of the investment property after deducting the carrying amount and the related taxes and fees from the disposal proceeds is recognized into profits or losses in the current period.

#### 4.17 Fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, rendering services, renting or business administrating with useful lives exceeding one accounting year. Fixed assets include land, houses and buildings, machinery and equipment, transportation tools and others. The fixed assets are initially measured at costs. Wherein, the costs of fixed assets purchased from outsiders include purchase prices, related import taxes and related taxes, and other expenses incurred for bringing the assets to the expected condition for its intended use which could be directly attributed to such assets. The costs of self-constructed fixed assets include necessary construction expenses incurred for bringing the assets to the expected condition for its intended use. The entry value of the fixed assets injected by investors is measured at the considerations 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 will be recorded at their fair value. The cost of fixed assets acquired under finance lease arrangement is measured at the lower of their fair value and the present value of the minimum lease payment at the inception date of the leases.

Subsequent expenditure incurred on a fixed asset, such as repairs and improvement costs are recognized into the cost of fixed assets when the situation meets the recognizing conditions of fixed assets. The carrying amount of the replaced part is derecognized. Other subsequent expenditures not qualified for the recognition criteria of the fixed asset shall be recognized into profits or losses in the current period when incurred.

Except for the fixed assets still in use after fully depreciation and lands that are separately recorded, depreciation is provided for all the fixed assets over their estimated useful life using the straight-line method, and the depreciation is recognized into the cost of the related assets or the current period expenses. The useful life, estimated rate of residual value and the annual depreciation rate of each classification of the fixed assets of the Group are as following:

No.	Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
1	Land property	—	—	—
2	Houses and buidlings	5~35	3~5	2.71~19.00
3	Machines and equipment	5~20	3~5	4.75~19.4
4	Transportation tools	2~10	3~5	9.5~47.50
5	Others	3~10	3~5	9.5~32.33



The Group reviews the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each year. If any change incurred, such change is accounted for as a change in accounting estimates.

A fixed asset is derecognized when it is disposed or expected not to bring economic benefit from its use or disposal. The net amount of proceeds from the disposal, transfer, scrap or damage of the asset after deducting the carrying amount and the related taxes is recognized into profits or losses in the current period.

#### 4.18 Construction in progress

Construction in progress is measured at the actual cost. The self-operated engineering project is measured according to the direct material, direct labors and direct construction cost, etc. The output package of a construction project is measured at the engineering project payments which shall be paid. For equipment installation project, the project cost is determined according to the value of the equipment installed, installation costs, expenditures on the trial running of the project, etc. The cost of the construction in progress also includes the borrowing expenses and exchange gains or losses which shall be capitalized.

Since the date when the construction in progress reaches the status of its intended use, according to the project budget, cost of construction or the actual project cost, etc. the construction in progress shall be transferred into the fixed asset according to the estimated value. Since the next month, the depreciation is started to accrue. After handling the formalities of the final accounts and completion procedure, the adjustments to the difference of the original value of the fixed asset shall be conducted.

#### 4.19 Borrowing costs

Borrowing costs include borrowing interests, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset commence capitalized as part of the cost of assets when expenditures for the asset have been incurred; the borrowing costs have been incurred; and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have been commenced. The capitalization of borrowing costs ceases when the qualifying assets under

acquisition, construction, or production become ready for their intended use or sale. Other borrowing costs are recognized as expenses in the period in which they incur.

Capitalize the amount of the current interest expenses actually incurred related to the specific borrowings after deducting the interest revenue from depositing the unused borrowing funds in bank or the investment gains from conducting the temporary investment activities from the interest expenses. The capitalized amount for the general borrowing is determined by the calculation of which the weighted average of the accumulated capital expenditure over the amount of specific borrowing multiplies the weighted average interest rate of the general borrowing.

Assets qualified for the conditions of capitalization refer to assets such as fixed assets, investment properties, and inventories that need to take a substantially long period of time (usually more than 1 year) of acquisition, construction, or production to become ready for their intended use or sale.

Capitalization of borrowing costs is suspended during periods when the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production activities of such assets is resumed.

#### 4.20 Intangibles assets

Intangible assets of the Group include land use rights, coastline use rights, patent technologies, non-patent technologies, exclusive operating rights and software, etc. The intangible assets shall be initially measured according to their costs. Acquisition costs of intangible assets include purchasing price and relevant expenditures. The invested cost of intangible assets contributed by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement. If the conventional value in the investment contract or agreement is unfair, the costs of intangible assets shall be their fair values.

Land use rights are accounted for since the starting date of transfer, and are amortized evenly according to the transferring period. Patent technologies, non-patent technologies and other intangible assets are amortized evenly by year into the shortest period of the three periods, namely the estimated useful life, the beneficial years stipulated in the contracts and the effective period stipulated by the laws. The amortized amounts are accounted into the costs of relevant assets and the profits or losses in the current period according to the beneficial objects.

The Group reviews the estimated useful life and amortization method of intangible assets with a limited useful life at the end of each year and, if any changes happen, the Group treats the changes as

changes of accounting estimates. The Group reviews the estimated useful life of intangible assets with uncertain useful life during each accounting period. If there is evidence to prove the useful life of intangible assets is limited, then the Group will estimate the useful life and amortize the intangible assets within the estimated useful life.

The amortization methods of intangible assets with limited useful life are listed below:

Category	Useful life	Amortization method
Software	2-10 years	Straight-line method
Land use rights	30-50 years	Straight-line method
Coastline use rights	50 years	Straight-line method
Patents	5-7 years	Straight-line method
Non-patent technologies	5-10 years	Straight-line method
Exclusive operating rights of Lupu Bridge	25 years	Straight-line method
Others	10-25 years	Straight-line method

#### 4.21 Research and development

Research and development expenditures of the Group are classified into expenditures on the research phase and expenditures on the development phase based on the nature and whether there is material uncertainty that the research and development activities can form an intangible asset ultimately. Expenditures on the research phase are recognized into the profits or losses in the current period when incurred. Expenditures on the development phase are recognized as an intangible asset only if all of the following conditions are satisfied:

It is technically feasible that the intangible asset can be used or sold upon completion;

There is an intention to complete the intangible asset for use or sale;

There is evidence that the products produced using the intangible asset or the intangible asset itself has a market;

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;

The expenses attributable to the development stage of the intangible asset can be measured reliably.

Other development expenditures that do not meet the above criteria are expensed in the period when incurred. Development expenditures which have been previously recognized into profits or losses in the current period in the prior period shall no longer be recognized as an asset in the subsequent period. Capitalized expenditures in the development phase are stated in the balance sheet as

development expenditures and are transferred into intangible assets for presentation when such project reaches the intended use.

#### 4.22 Long-term deferred expenses

Long-term deferred expenses of the Group refer to all kinds of expenses incurred but shall be assumed by the current period and each period afterwards with the amortization period over than 1 year (not including 1 year). Such expenses are evenly amortized during the beneficial period. If such item of long-term deferred expenses cannot benefit the accounting period afterwards, then the amortized value which has not been amortized shall be recognized into profits or losses in the current period entirely.

#### 4.23 Goodwill

Goodwill is the difference by which the cost of equity investment or the cost of business combination not under the same control exceeds the entitled portion of fair value in the business combination or the obtained identifiable net assets in the invested entity or the identifiable net assets of the acquired party at the date of acquisition or the date of purchase.

Goodwill related to the subsidiaries is presented separately in the consolidated financial statements. Goodwill related to associate enterprises or joint venture enterprises is included in the book value of the long-term equity investments.

#### 4.24 Impairment of long-term non-financial assets

The Group conducts examinations at each balance sheet date on the items such as long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life. When evidence below exists, such evidence may indicate that the assets might have incurred impairment. For goodwill and intangible assets with indefinite useful life, no matter whether any signs of impairment existed, impairment tests are conducted at the end of each year. If it is difficult to estimate the recoverable amount of an individual asset, the test is conducted on the basis of the asset portfolio or the groups of asset portfolios to which the asset belongs.

After the impairment test, if the book value of the asset exceeds the recoverable amount, the difference between the book value and the recoverable amount is recognized as the impairment loss. The aforementioned impairment loss cannot be reversed in the subsequent accounting periods once recognized. The recoverable amount of the assets refer to the higher of the two amounts, namely the net balance by deducting the disposal expenditures from the fair value and the present value of estimated future cash flows.

Evidence of impairment are listed as following:

The market price of the asset falls to a large degree in the current period. The extent of decline was significantly higher than the estimated decline due to the passage of time or normal use;

The economic, technical or legal environment where the enterprise operates in and the markets where the assets locate has incurred significant changes in the current period or will incur significant changes in the recent period, so to generate adverse impact on the enterprises;

Market interest rates or other market rates of return on investments have increased in the current period, which is expected to affect the discount rate to calculate the present value of the future cash flows of the assets, resulting in a significant reduction in the recoverable amount of an asset;

There is evidence indicating that assets have become obsolete or the substance of the assets has been damaged;

The assets have been or will be left unused, terminated of use or planned to be disposed ahead of schedule;

Evidence from the internal reporting of the enterprise indicates that the economic performance of an asset has been, or will be lower than the expectation, such as the net cash flows created by the assets or the realized operating profit (or loss) is far below (or higher) than the expected amount, etc.;

Any other evidence that indicates the impairment of assets may have incurred.

#### 4.25 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The welfare provided by the Group to the spouse and children of the employees, the people supported by the employees, widowed spouse of the deceased employees, and other beneficiaries also belong to the employee benefits.

4.25.1 Short-term compensations refer to employee's benefits which need to be entirely paid within 12 months after the year when employees render the related services to the Group, except for the compensation paid due to the termination of labor-relationship with the employees. The short-term compensations of the Group specifically include employee salaries, bonus, allowances and subsidies, employee welfare expense, social insurance expenses such as medical insurance, work injury insurance, and maternity insurance, housing funds, labor union expenses, employee education expenses, and other short-term remunerations.

The Group recognizes the short term remuneration actually incurred as the liabilities, and recognizes such liabilities into the profits or losses in the current period or the costs of the related assets according to the beneficial objects to which the employees render the services. If the short-term remuneration is non-monetary welfare, such remuneration shall be measured according to the fair value.

4.25.2 Post-employment welfare refers to all kinds of remuneration and benefits provided to obtain the services provided by the employees after employees retire or terminate the labor relationship with the Group, except for short-term compensations and termination benefits.

The defined contribution plan established by the Group refers to the basic endowment insurance and the unemployment insurance as well as enterprise annuities, etc. paid for employees according to the related regulations stipulated by the local government. During the accounting period when the employees render services to the Group, the amount which shall be paid is calculated according to the base point of payment and the percentage according to the local stipulations. Such plan is recognized as the liability and is recognized into the profits or losses in the current period or the cost of the related assets.

The Company and some subordinate enterprises establish enterprise annuities. The funds of enterprise annuities are paid together by the Company and the individual employees. The portion paid by the Company is accrued from the costs of the Group. The portion paid by the individuals is accrued by the Group through withholding and paying the amount on behalf of the employees when paying the salaries of the employees.

The Group classifies the beneficial liabilities generated from defined benefit plans determined by the expected accumulated welfare unit method into the period when employees provide services, and recognizes into profits or losses in the current period or the cost of the related assets. The deficit or surplus formed from deducting the fair value of the defined benefit plan asset from the present value of the defined benefit plan liability is recognized as a net liability or a net asset of a defined benefit plan. If the defined benefit plan has a surplus existing, the Group adopts the lesser of the two: namely the surplus of the defined benefit plan and the upper limit of asset of the defined benefit plan, to measure the net asset of defined benefit plan.

All the defined benefit plans, including the liabilities expected to be paid within the twelve months after the end of the reporting period when the employees provide services are discounted according



to the market rate of return of the treasury bonds matched to the term and currency of the defined benefit plan liabilities or the high-quality corporate bonds in the active market.

The service cost generated by the defined benefit plan and the net interest of the net liabilities or net assets of the defined benefit plan is recognized into current period profit or loss or the cost of the related asset. The change generated from the remeasurement of the net liabilities or net assets of the defined benefit plans is recognized into other comprehensive income, and shall not to be reversed in the profit or loss of the subsequent accounting period.

When settling the defined benefit plans, the Group recognizes the settlement gains or losses according to the difference between the present value of the defined benefit plan on the settlement day and the settlement price.

Currently, the defined benefit plan of the Group is mainly the overall external cost of retired employees including workers and cadres. In addition to the level three subsidiaries in CSSC Huangpu Wenchong Shipping Company Limited, The Ninth Design Institute Engineering of CSSC Co., Ltd., and the forth level subsidiaries in Guangzhou Wenchong Shipyard Co. Ltd., CSSC Research & Design Co., Ltd. CSSC Huahai Marine Equipment Co., Ltd. Approved by the State-owned Assets Supervision and Administration Commission of the State Council, accounted for three types of personnel expenses. The Group and other subsidiaries according to the related stipulations in the “Notice on the final financial accounts management and the preparation of the statements of central enterprises for the year of 2014”, (Guo zi fa ping jia No. [2014] 175) issued by SASAC of the State Council, the Group does not accrue the overall external cost of such retired employees and will recognize the amount into profits or losses in the current period when actually incurred.

4.25.3 Termination benefits refer to the compensation paid when the Group terminates the employment relationship with employees before the expiration of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. In the situation where although the employee does not relieve the labor service contract with the Group, the employee will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, the Group commits to provide the economic compensation with the nature of termination benefits, for instance the situation of “early retirement”. In such a situation, before the formal retirement date of the employee, the Group adopts the treatment according to the treatment of

the termination benefits. While after the formal retirement date of such employee, the Group adopts the treatment according to the treatment of post-termination benefits.

Where the Group provides termination benefits to employees, the Group recognizes the liabilities of employee benefits payable generated from the termination benefits and recognized into the profits or losses in the current period at the earlier date of the following two dates: 1) when the Group cannot unilaterally reverse the termination benefits due to the plan of canceling the labor relationship or the termination benefits provided by the advice of reducing staff; and 2) the Group recognizes the cost or expense related to the payment of termination benefits of restructuring into the cost or expenses.

For termination plan of which the termination benefits which are expected not to be entirely paid after the twelve months of the end of the reporting period and the substantial termination work is completed within one year but the term to pay the compensation payment exceeds one year, the Group adopts the appropriate discounted rate and adopts the discounted amount to measure the amount of termination welfare that shall be recognized into the profits or losses in the current period.

#### 4.26 Bond payables

The Group applies the fair value to initially recognize the bonds payables, with the related transaction expenses recognized into the initial amount. Bonds payables are subsequently recognized based on the amortized cost.

The difference between the price paid for the bonds and the total face value of the bonds is recognized as the premium or the discount of the bonds payables. The premium or the discount is amortized when the interest is accrued based on the effective rate of interest method during the lasting period of the bonds, and is treated according to the principles of borrowing expenses.

#### 4.27 Provisions

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration at the same time, warranty on quality of products or other contingent matters meet the following requirements, the Group will recognize them as liabilities. The requirements are as following: a) The obligation is a present obligation of the Company; b) It is probable that an outflow of economic benefits will be required to settle the obligation; c) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations by comprehensively considering the factors such as the risks, uncertainties, and time value of the currency related to the contingent matters, etc. If the effect from the time value of the

currency is significant, the most appropriate estimation will be determined by discounting the future cash outflows into the present value. On each balance sheet date, the book value of the estimated liabilities is reviewed, and adjusted to reflect the currently best estimation if the book value changes.

#### 4.28 Fees for safety in production

The enterprises belonged to the Group under the shipbuilding industry and the related marine equipment manufacturing industry accrue and use the safety production fees according to the related regulations of ‘The administrative method of accrual and use of enterprise safety production fees’ (Cai Qi [2012] No. 16). When accrued, the safety production fees are recognized into the cost of related products, and are recognized in the ‘special reserve’ account. When using the safety production fees in compliance with the regulated scope, if the expenditures belong to expenses, the expenditures are directed netted against the special reserves. If the expenditures result in the formation of fixed assets, the expenditures are summed up under the account of ‘construction in progress’. After the project reaches the expected status to the intended use, the expenditures are recognized as the fixed assets. At the same time, the costs used to form the fixed assets are netted against the special reserve and the accumulated depreciation is recognized at the same amount. The fixed assets will not be recognized for accumulated depreciation in the future period.

The balance of safety production fees can be transferred to the next year. If the amount is insufficiently accrued for the operation, the excess shall be expensed according to way to charge the normal costs or expenses. The additional safety production fees are no longer accrued after making the original provision.

#### 4.29 Revenue recognition principles

The operating revenues of the Group mainly include revenue from sales of goods, rendering of services, transferring of assets use rights and construction contracts. The principles of revenue recognition are as following:

4.29.1 The Group recognizes the realization of the revenue from sales goods, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group neither holds continuing management rights generally related to the ownership, nor conducts the effective control over the goods sold, the amount of the relevant revenues can be measured reliably, the

relevant economic benefits will likely flow into the Group, and the relevant costs which have already incurred or will incur can be measured reliably.

4.29.2 Revenues from rendering of services is recognized by the Group when the total revenues and costs of the labor services can be measured reliably; when the associated economic benefits are probably flow into the Group; and when the completion progress of the services can be estimated reliably. At the balance sheet date, revenues are recognized using the percentage of completion method when the outcome of the services rendered can be estimated reliably. The percentage of completion method is determined according to the proportion of costs incurred to date over the total estimated cost, or to the proportion of services provided of the total amount of services to be provided; Where the transaction outcome of rendering services cannot be reliably estimated and the costs incurred are expected to be recoverable, the revenue from rendering services are recognized according to the incurred service costs expected to be compensated and the incurred service costs shall be carried over. Where the outcome of the service rendering transactions cannot be reliably estimated or all the costs incurred are expected not to be recoverable, no labor service revenues shall be recognized. The costs incurred are recognized into profits or losses in the current period.

4.29.3 Revenues from alienating the rights of using properties are recognized, when the economic benefits related to transactions will likely flow into the Group and the amount of revenues can be measured reliably.

#### 4.30 Construction contracts

The Group recognizes the contract revenues and the contract expenses at the balance sheet date using the percentage of completion method when the total revenues from the contracts can be measured reliably; When the economic benefits related to the contract are probably flow into the Group; when contract costs actually incurred can be clearly identified and measured reliably; and when the completion progress of the contract and the future costs to be incurred to complete the contract can be estimated reliably. In applying the percentage of completion method, the stage of completion of the contract is determined according to the proportion of contract costs actually incurred to date to the estimated total contracts costs.

Where the outcome of the construction contract cannot be reliably estimated, if the costs incurred are expected to be recoverable, contract revenues are recognized according to the recoverable actual

contract costs. Such contract costs are recognized as the expenses for the period when the cost incurred. If the contract costs are impossible to recover, such costs are immediately recognized as expenses for the period when incurred and no revenues shall be recognized.

The long term shipbuilding contract such as for first-made ships is deemed that the contract result can be reasonably expected when the construction progress reaches 50%, and the batch-made non-first-made shipbuilding is deemed that the contract result can be reasonably expected when the construction progress reaches 30%. For shipbuilding which the construction progress has not reached the level to reasonably expect the contract result, the Company recognizes the actual contract costs incurred as the contract expenses and recognizes contract revenues according to the amount of contract expenses, not recognizing the contract gross margins.

The currency adopted to sign the contract is the basis on which the Group recognizes the revenue from a foreign currency contract. When translating the revenue from foreign currency contracts, the Group adopts the RMB amount at the time of receiving the payment to recognize the foreign currency revenue received to accrue. For the foreign currency revenue not received but shall be accrued, the Group adopts the spot exchange rate when recognizing the account receivables. The total amount of the two aforementioned amounts is recognized as the RMB amount of revenue to accrue. The accumulated RMB revenue accrued minus the accumulated RMB revenue recognized in the past period is treated as the RMB revenue which shall be recognized in the current period.

The Group generally reviews construction contracts at the end of each year. If the total expected contract cost exceeds the total expected contract revenue, the Group accrues the expected contract loss, and increases the impairment loss and the provision of inventory impairment – expected contract loss at the same time. Before the construction progress of shipbuilding reaches 30% (non-first-made shipbuilding) or 50% (first-made shipbuilding) and when no gross margin has been recognized, the Group does not write-off the provision of inventory falling price impairment. After the construction progress of shipbuilding reaches 30% (non-first-made shipbuilding) or 50% (first-made shipbuilding), the Group starts to recognize gross margin, and write-offs the provision of inventory falling price impairment accrued based on the progress, and reduces the main operating cost. Generally at the end of each year, for the incompleting shipbuilding to which the Group accrued the provision of inventory falling price impairment in the past period, if the provision made in the

past period is insufficient and needs to accrue additionally, the Group simultaneously increases the asset impairment loss and the inventory falling price impairment – expected contract loss. If the accrual is excessive and needs to be reversed, the Group simultaneously reduces the asset impairment loss and the inventory falling price impairment – expected contract loss. When delivering the ship, the balance in the provision of inventory falling price impairment is used to reduce the main operating cost. At the balance sheet date, the Group analyzes the book value of inventory formed from the construction contract (the book value less the inventory falling price impairment). If the book value is negative, the Group reclassifies the amount to be reported under the item of estimated liabilities. If the book value is positive, the Group compares the amount with the balance in the construction settlement account. After netting-off based on the principle of lower, the Group reports the balance after the net-off under the item of inventories or other current liabilities.

The level two enterprise, CSSC Steel Structure Engineering Co., Ltd (listed company), the level three enterprise, the Ninth Design and Research Institute of China Shipbuilding Engineering Co., Ltd and Shanghai Jiangnan Shipbuilding Real Estate Development and Operation Co., Ltd, adopt the percentage of which the completed amount of contract workload to the estimated total amount of contract workload to determine the percentage of completion progress.

#### 4.31 Government grants

##### 4.31.1 Category of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration and are classified as government grants related to assets or government grants related to income.

##### 4.31.2 Accounting treatment of government grants

Government grants related to assets were recognized as deferred income which is amortized in profits and losses for each period over the asset's estimated useful period on a systematic basis. Government grants related to the Company's routine operation will be recorded in other income and government grants not related to the Company's routine operation will be recorded in non-operating income.

Government grants measured at nominal cost will be recorded in profit and loss for the current period when received.

Government grants related to income are treated as follows: a) If the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized.; b) if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period. Government grants related to the Group's routine operation will be recorded in other income or deducted from related costs or expenses, and government grants not related to the Group's routine operation will be recorded in non-operating income.

4.31.3 The detailed criteria to distinguish government grants related to assets and government grants related to income:

Government grants obtained by the Group for purchase, construction or formation of long-term assets are recognized as the government grants related to assets. The government grants other than the government grants related to assets are classified as government grants related to income.

If there is no explicit recipient in the related government grant document, the judgement criteria to distinguish government grants related to assets and government grants related to income is as follow:

The government subsidy related to the asset refers to the government grants for assets that are acquired by the Group and used for purchase or construction or other forms of long-term development; government grants related to income refer to the government grants except for the government grants related to assets. If the government documents do not clearly specify the target of the subsidy, the Group will make judgments according to the above principle of distinction.

4.31.4 The recognition time point for government grants

The receivable government grants will be recognized when there are conclusive evidence to indicate the Company could meet all related government grants requirements and the Company expects to receive the government grants in the future. Other government grants will be recognized when the grant fund received.



#### 4.31.5 The accounting treatment of policy-based preferential loan with discounted interest

When the Company receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

#### 4.32 Deferred tax asset and deferred tax liability

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax asset or liability. For the deductible tax losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years are deemed as temporary differences. At the balance sheet date, deferred tax assets and deferred tax liabilities are calculated by the effective tax rate in the expected period to receive the asset or discharge the liability.

Deferred tax assets generated from the temporary deductible differences are recognized by the Group to the extent that it is probable to obtain the taxable profit which will be sufficient to offset the deductible temporary difference. For the recognized deferred tax assets, when it is estimated that in the future period, it is likely that the Group is unable to obtain sufficient taxable income to deduct the deferred tax assets; the book value of the deferred tax assets shall be reduced. When it is very likely that sufficient taxable income will be available, the amount previously reduced shall be reversed.

#### 4.33 Leases

Leases are classified as finance leases and operating leases by the Group at the date of inception.

Finance lease refers to a lease that substantially transfers all the risks and rewards related to the ownership of the assets. The Group, as a lessee, recognizes the assets under finance lease at the lower of the two amounts, namely the fair value of the leased assets at the inception date of the lease and the present value of the minimum lease payments as the entry value of the fixed assets acquired under finance lease. The minimum lease payments are taken as the entry value of the “long-term payable”. The balance between the two amounts is recorded as the unrecognized finance lease expense.

Operating leases refer to leases other than finance leases. The lease payments of the Group as a lessee are recognized into the cost of related assets or the profits or losses in the current period

according to the straight-line method in each period. The rental income of the Group as a lessor is recognized as revenues according to the straight-line method in each period.

#### 4.34 Measurement of fair value

##### 4.34.1 Initial measurement of fair value

Regarding the assets and liabilities measured in fair value, the Group considers the characteristics of the assets or liabilities. The Group adopts the price which market participants will receive when selling an asset or transferring a liability in the orderly transactions on the date of measurement to measure the fair value. When measuring the related assets or liabilities based on the fair value, the transactions in which the market participants sell assets or transfer liabilities are the orderly transactions conducted under the current market conditions. The orderly transactions of selling assets or transferring liabilities are conducted in the main market of the related assets or liabilities. If no main market exists, the Group supposes that the transaction is conducted in the most favorable market of the related assets or liabilities. The Group adopts the assumption that the market participants take to price the assets or liabilities when maximizing the economic benefits. When adopting the fair value to measure the non-financial assets, the Group considers the ability of the market participants to apply the assets into the optimal use to generate economic benefits, or the ability to sell the assets to other market participants who can apply the assets to the optimal use in generating economic benefits.

##### 4.34.2 Valuation techniques

The Group adopts the fair value to measure the related assets or liabilities. The Group adopts the valuation techniques which is supported by the information applicable to the current situation and is supported by other information. The adopted valuation techniques mainly include market method, revenue method and cost method. When applying the valuation techniques, the Group favorably adopts the related observable input value. Only when the related observable input value cannot be obtained or when it is impractical to obtain, the Group adopts the non-observable input value.

##### 4.34.3 Hierarchical division of fair value

The Group determines the level of the results of the fair value measurement on the basis of the lowest level of input value that is of great significance to the overall measurement of the fair value measurement: the first level of input is the unadjusted price of the same assets or liabilities in the

active market that can be obtained on the day of measurement. Active market refers to the market where the trading volume and frequency of related assets or liabilities are sufficient to provide continuous pricing information. The second level input value is the direct or indirect observable input value of the underlying assets or liabilities except the first level input value. The third level input value is not an observable input value of the related assets or liabilities.

#### 4.35 Segment information

The Group recognizing the operating segments on the basis of internal organizational structure, management requirements and internal reporting system, and determines the reporting segments and discloses the segment information based on them. An operating segment is a component of the Group that satisfies all of the following conditions: 1) The component earns revenue and incurs expenses through the ordinary business activities; 2) The management of the group can regularly evaluate the operating results of the component so as to decide its allocation of resources and evaluate its performance.; 3) And the Group can obtain the accounting information of these components, such as the financial position, operating results and cash flows. Two or more operating segments can be merged into one operating segment if they have similar economic characteristic and satisfy certain conditions.

#### 4.36 Discontinued operations

Discontinued operation refers to a component of the Group that either has been disposed or is classified as held-for-sale, and can be separately distinguished in the business operations and in the preparation of financial statements. Such component will be entirely or partially disposed of according to the plan of the Group.

A component is classified as held-for-sale when all of the following conditions are satisfied: 1) The Group has made a resolution on disposal of the component; 2) The Group has signed an irrevocable transfer agreement; 3) And such transfer will be completed within one year.

#### 4.37 Significant accounting policies and accounting estimates of state-run institutions affiliated

##### 4.37.1 Short-term investments

The recognition is based on the price of actual costs when acquired. Investment income is recognized according to the accrued interests or profits due in the current period. The impairment allowance of short-term investments shall not be accrued.

#### 4.37.2 Accounts receivables

(1) Recognition criteria of bad debts: 1) The uncollectible remaining amount after using the bankruptcy assets or bequests of debtors to clear; 2) Amounts owing to the failure of the debtor to fulfill his obligation of repayment over three years, and are approved by the departments in charge;

(2) Direct write-off method is applied to check and calculate bad debts. The incurred loss of bad debts is directly recognized into the profits or losses in the current period.

#### 4.37.3 Inventories

Classification of inventories: raw materials, wrappings, low-valued consumables, engineering equipment modes, self-produced semi-finished goods, stock merchandise, entrusted processed goods, goods sent out on instalment sales and work in process, etc.;

Inventory pricing method: The method of actual cost is applied at the time of purchase, and applied to other inventories. Low-valued consumables and packaging materials are amortized at one time amortization method when sent out.

The stocktaking policy of inventories: Companies adopt the perpetual inventory method for the inventories, and stocktaking is made yearly at the end of each year.

Provision for obsolete stocks is not accrued.

#### 4.37.4 Long-term investments

(1) The accounting method of long-term bond investments:

The method of valuation and recognition of gains of long-term bond investments: The actual cost is recognized according to the actual payment after deducting the paid taxes, fees and other surcharges, and the bond interests due but not collected included in the actual payment. Accrued interests are calculated according to the principles of the accrual method. Bond premiums or bond discounts are recognized as the result of the actual payments minus the related expenses and the difference between the bond interest and the bond face value of the immature bonds;

The amortization method of long-term bond investment premiums and discounts: amortizing in separate periods when accruing the interest of each period.

(2) The accounting method of long-term equity investments:

The method of valuation and recognition of gains of long-term equity investments: long-term equity investments include stock investments and other equity investments. Long term equity investment is

calculated by cost method according to the actual payment of investment or the value recognized by investors.

(3) Provision for long-term equity investments is not accrued.

#### 4.37.5 Fixed assets

Standards of fixed assets: The unit value of the general equipment is above 500 yuan, the unit value of the special equipment is above 800 yuan, the use period is more than one year, and the assets of the original material form are basically kept in the process of use, including houses, buildings, instruments, equipment, transportation tools and so on. A large number of similar materials, which the unit value is not up to the required standard, and are durable for more than one year, are managed as fixed assets.

Valuation of fixed assets: The purchase or construction is priced at the actual cost.

The depreciation of fixed assets is calculated through accruing fixed usage cost of fixed assets separately based on the regulated percentages (Salvage value ignored). The detail percentages are as following:

Category	Fixed usage cost
Houses and buildings	2%-10%
Machines and equipment	5%-20%
Transportation tools	5%-20%
Others	3.33%-20%

State-run institutions, including China Institute of Marine Technology and Economy Service Center, China Shipbuilding Industry Government Service Center, Beijing Shipbuilding Industry Management Cadres Institute, Jiangnan Shipbuilding Group vocational and technical school, Worker's Hospital of Huangpu shipyard in Guangzhou, Guangzhou Huangpu shipyard kindergarten, and Guangzhou Huangpu shipyard technical school, do not accrue the depreciation.

#### 4.37.6 Construction in progress

Construction in progress is measured at the actual cost, and is transferred to fixed assets after it is delivered to use. For construction projects which need to complete the final accounting procedures of completion, if the constructions are delivered to use before the final accounting procedures of completion finished, recognize the entry value according to the estimated cost. Then the originally estimated value is adjusted according to the final calculation.

#### 4.37.7 Intangible assets

For intangible assets acquired through purchasing or according to the legal procedures, check and calculate according to the actual expenditures at the time of purchasing or acquiring based on legal procedures. For intangible assets invested by investors, check and calculate according to the assessed value. Intangible assets are amortized based on the straight-line method in the benefit period.

#### 4.37.8 Borrowing expenses

Interests paid before the delivery of fixed assets or interests of which the assets are delivered but the final accounts procedure of completion is not completed, are recognized as the constructing cost of the fixed assets. Interests incurred during the regulated period of repayment after completing the final accounts procedure of completion, and the balance of foreign currency translations are recognized into the profits or losses in the current period.

#### 4.37.9 Principles to recognize revenues

Revenues from financial subsidies: Revenues from financial subsidies are recognized when receiving the appropriated funds from the national finance departments, competent departments and the superior institutions.

Subsidy income from superior institutions: Subsidy income is recognized at the time when receiving the appropriated funds from the departments in charge and superior institutions.

Revenues from scientific research: For revenues from the state or department appropriations, revenues are recognized according to the amount of funds based on the regulated progress determined by the plans of scientific research projects and contracts.

Revenues from technologies: Equipment (technologies) business revenues are generally recognized as the annual technology revenues reasonably according to the annual progress of completion (namely the method of direct cost percentage). Revenues are recognized when the assumed projects are completed, work is rendered, and when payments are collected, or when the certificates of receipts are obtained, including projects of technology transfer, technology consultation, technology service, technology training and technology contract, etc.

Revenues from other business: Revenues are recognized when the business is completed, while the payments are collected, or the certificates of receipts are obtained, including academic communication, journal publication, and holding scientific and technological exhibition, etc.

Revenues from product sales: Revenues are recognized when products have been sent out or the industrial laboring service has been rendered, and when the payments are collected, or when the certificates of receipts are obtained.

Revenues from other operation: Revenues are recognized when the contractual engineering projects are completed, services such as transportation services are rendered, or materials sold are sent out, meanwhile the payments are collected, or the certificates of receipts are obtained.

Revenues collected from affiliated institutions: revenues are recognized when receiving the payments submitted by the subordinate institutions or when the certificates of receipts are obtained.

Other revenues are recognized when receiving the payments or receipts.

## **5. Main changes of accounting policies, accounting estimates and correction of errors**

### **5.1 Main changes of accounting policies**

The Group did not have any changes of accounting policies in the current year.

### **5.2 Main changes of accounting estimates**

The Group did not have any changes of accounting estimates in the current year.

### **5.3 Correction of accounting errors of prior periods**

The Group did not have any correction items of accounting errors in the current year.

### **5.4 Others**

On June 15, 2018, the Ministry of Finance issued the Notice on Revising and Issuing the Format of the 2018 Annual Financial Statements of General Enterprise (Caikuai [2018] No. 15). The Company compiles the semi-annual financial statements for 2018 in accordance with the financial statement format stipulated in Caikuai [2018] No. 15, and restates the comparative data for 2017. The impact of the related items in the consolidated financial statements is as follows:

Report item	Beginning balance or last term amount		
	Before adjustment	Reclassification	After adjustment
Notes receivable and Accounts receivable		13,348,692,663.32	13,348,692,663.32
Notes receivable	2,641,044,327.20	-2,641,044,327.20	
Accounts receivable	10,707,648,336.12	-10,707,648,336.12	
Other receivables	1,541,709,452.49	322,518,063.72	1,864,227,516.21
Interest receivable	256,078,407.68	-256,078,407.68	



Report item	Beginning balance or last term amount		
	Before adjustment	Reclassification	After adjustment
Dividends receivable	66,439,656.04	-66,439,656.04	
Fixed assets	47,003,172,316.80	55,696,209.36	47,058,868,526.16
Disposal of fixed assets	55,696,209.36	-55,696,209.36	
Construction in process	12,586,452,312.58	3,942,173.90	12,590,394,486.48
Engineering materials	3,942,173.90	-3,942,173.90	
Notes payable and Accounts payable		43,897,921,411.31	43,897,921,411.31
Notes payable	7,955,971,403.13	-7,955,971,403.13	
Accounts payable	35,941,950,008.18	-35,941,950,008.18	
Other payables	4,008,834,451.35	742,994,470.48	4,751,828,921.83
Interest payable	611,860,245.80	-611,860,245.80	
Dividends payable	131,134,224.68	-131,134,224.68	
Long-term payables	6,442,081,691.27	2,310,444,457.53	8,752,526,148.80
Long-term employee pay payable	750,397,395.84	-750,397,395.84	
Special accounts payables	1,560,047,061.69	-1,560,047,061.69	
Administration expenses	3,959,953,032.87	-975,391,314.80	2,984,561,718.07
Research and development expenses		975,391,314.80	975,391,314.80

The impact of the related items in the financial statements of parent company is as follows:

Report item	Beginning balance or last term amount		
	Before adjustment	Reclassification	After adjustment
Other receivables	8,065,975,589.64	763,116.25	8,066,738,705.89
Dividends receivable	763,116.25	-763,116.25	
Other payables	110,432,980.22	412,731,902.58	523,164,882.80
Interest payable	412,731,902.58	-412,731,902.58	
Long-term payables		400,000,000.00	400,000,000.00
Special accounts payables	400,000,000.00	-400,000,000.00	

## 6. Taxes

### 6.1 Main taxes categories and tax rates

Category of tax	Tax base	Tax rate (%)
Value added tax	Taxable added value (Tax amount payable is calculated on the basis of taxable sales multiplied by applicable tax rate, then deducted the amount of input can be deducted during the current period)	0、3、5、6、10、11、13、16、17
Urban maintenance and construction tax	Turnover tax payable	0、1、5、7
Education cost	Turnover tax payable	0、3

Category of tax	Tax base	Tax rate (%)
Local education cost	Turnover tax payable	2
construction fee for cultural undertakings	revenue from advertising	3

Note: According to the Notice on Adjustment of VAT Rate issued by the General Administration of Taxation of the Ministry of Finance (Caishui [2018] No. 32), the tax rates of 17% and 11% were adjusted to 16% and 10% respectively when the taxpayers engaged in VAT sales or imported goods from May 1, 2008.

## 6.2 Corporate income tax

NO.	Corporate name	Tax rate (%)	Remarks
1	China State Shipbuilding Corporation Co., Ltd	25	
2	Jiangnan Shipyard (Group) Co., Ltd	15	3.2 (5)
3	Shanghai CSSC Culture Media Co., Ltd.	20	3.2 (8)
4	Shanghai Changhong Institute of Science and Technology	20	3.2 (8)
5	Shanghai Minjiang Industrial Co., Ltd.	20	3.2 (8)
6	Shanghai Jiangnan Changxing Hospital Management Co., Ltd.	20	3.2 (8)
7	Shanghai Jiangnan Vocational Skills Training Center	20	3.2 (8)
8	Shanghai Jiangnan Shipyard Group Staff Hospital	0	3.2 (1)
9	Jiangnan Shipyard Group Vocational Technical School	0	3.2 (1)
10	Shanghai Jiangnan Boatyard Real Estate Development Management Company	25	
11	Shanghai Jiangxing Real Estate Co., Ltd.	25	
12	Shanghai Jiuzhou Investment Development Co., Ltd.	25	
13	Shanghai Jiangzhou Investment Development Co., Ltd.	25	
14	Shanghai Qixin Shipyard	25	
15	Shanghai Jiangnan Original Site Asset Management Co., Ltd.	25	
16	Shanghai Jiangnan Shipping Pipe Industry Co., Ltd.	25	
17	Shanghai Hailian Shipping Service Engineering Company	25	
18	Shanghai Jiangnan Metrology and Measurement Station Co., Ltd.	25	
19	Nanjing CSSC Lvzhou Machinery Co., Ltd	15	3.2 (5)
20	CSSC Lvzhou Zhenjiang Shipping Auxiliary Machinery Co., Ltd.	25	
21	Nanjing Lvzhou Electric Co., Ltd.	25	
22	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	15	3.2 (5)
23	Nanjing CSSC Lvzhou Retirement and Rehabilitation Center	0	3.2 (1)
24	China Shipbuilding Industry Government Service Center	25	
25	Beijing CSSC Jiayuan Property Management Co., Ltd.	20	3.2 (8)
26	Beijing Zhongchuan Hotel	20	3.2 (8)

NO.	Corporate name	Tax rate (%)	Remarks
27	CSSC Finance Co., Ltd	25	
28	CSSC Industrial Complete Logistics Co.,Ltd	25	
29	China Shipbuilding Trading Shanghai Co., Ltd	25	
30	Shanghai CSSC Industrial Technology Park Management Development Co., Ltd.	25	
31	CSICEL (Guangzhou) Co.,Ltd.	25	
32	CSSC Industry Complete Logistics (Hongkong) Co., Ltd.	16.5	3.2 (6)
33	Qianlong Steel Logistics Co., Ltd.	25	
34	CSSC Hengyu Energy (Shanghai) Co., Ltd.	25	
35	Shanghai Huazhou Industrial Company	20	3.2 (8)
36	Shanghai Shansi Industrial Development Co., Ltd	20	3.2 (8)
37	CSSC Energy (Singapore) Co., Ltd.	17	3.2 (7)
38	CEL Holding Company limited	0	3.2 (2)
39	CS Shipping Company Limited	0	3.2 (3)
40	CSZ Shipping Company Limited	0	3.2 (3)
41	CSH Shipping Company Limited	0	3.2 (3)
42	CSHA Shipping Company Limited	0	3.2 (3)
43	CSHB Shipping Company Limited	0	3.2 (3)
44	Zhangjiagang Runsha Steel Trading Co., Ltd.	25	
45	Zhangjiagang Shaan Metal Products Co., Ltd.	25	
46	Zhangjiagang Runan Steel Trading Co., Ltd.	25	
47	Zhangjiagang Jiusha Steel Trading Co., Ltd.	25	
48	Zhangjiagang Jiulong Transportation Co., Ltd.	20	3.2 (8)
49	Zhangjiagang Jiulong Transport Management Co., Ltd.	25	
50	Zhangjiagang Jiulong Logistics Park Enterprise Management Co., Ltd.	25	
51	Zhangjiagang Jiulong Steel Trading Co., Ltd.	25	
52	Zhangjiagang Jiulong Real Estate Development Co., Ltd.	25	
53	Zhangjiagang Jiulong E-commerce Co., Ltd.	25	
54	Jiangyin Runde Materials Co., Ltd.	25	
55	Jiangyin Rielta Metal Co., Ltd.	25	
56	Jiangyin Jingcheng Logistics Distribution Trading Market Co., Ltd.	25	
57	CSSC Guangxi Shipping and Marine Engineering Co., Ltd	25	
58	CSSC Xijiang Shipbuilding Co., Ltd.	15	3.2 (5)
59	CSSC Guijiang Shipbuilding Co., Ltd.	15	3.2 (5)
60	Guangxi CSSC Shipbuilding and Marine Engineering Design Co., Ltd.	15	3.2 (5)
61	CSSC Southern China Marine Machinery Co., Ltd	15	3.2 (5)
62	CSSC Southern China Marine Machinery (Guangzhou) Co., Ltd	25	

NO.	Corporate name	Tax rate (%)	Remarks
63	CSSC Investment and Development Co., Ltd	25	
64	CSSC Investment and Development (Shanghai) Co., Ltd.	25	
65	CSSC Yangzhou Shipbuilding Engineering Technology Service Co., Ltd.	25	
66	CSSC International Trading Co., Ltd.	25	
67	Tianjin CSSC Jianxin Haigong Investment Management Co., Ltd.	25	
68	Winterthur Gas & Diesel AG	27.38	3.2 (9)
69	China Ship News Agency	20	3.2 (8)
70	Beijing CSSC Voyage Advertising Media Co., Ltd.	20	3.2 (8)
71	Beijing CSSC Bookstore Co., Ltd.	20	3.2 (8)
72	Beijing Shipbuilding Industry Management Cadres Institute	25	
73	Beijing Shipbuilding Industry Management Cadres Institute Training Center	20	3.2 (8)
74	China Shipbuilding Trading Co., Ltd	25	
75	Beijing Hairui International Trading Co., Ltd.	25	
76	Shanghai CSSC International Trading Co., Ltd.	25	
77	China Shipbuilding Trading Co., Ltd (BVI)	0	3.2 (2)
78	Beijing CSSC Property Management Co., Ltd.	20	3.2 (8)
79	Feili Shipping Co., Ltd.	16.5	3.2 (6)
80	China Institute of Marine Technology and Economy	15	3.2 (5)
81	Beijing CSSC Consulting Co., Ltd.	20	3.2 (8)
82	Beijing Zhongchuan Movie & TV Facture Center	20	3.2 (8)
83	Beijing CSSC Economic and technological Development Co., Ltd.	20	3.2 (8)
84	Beijing Xinzhou Property Management Co., Ltd.	20	3.2 (8)
85	"Yacht" Magazine Co., Ltd.	20	3.2 (8)
86	CSSC Culture Technology (Beijing) Co., Ltd.	20	3.2 (8)
87	Beijing Haidian Jinzhou Hotel	20	3.2 (8)
88	Beijing CSSC Furui Environmental Technology Co. Ltd.	20	3.2 (8)
89	Guangdong CSSC Military and Civil Integration Research Institute Co., Ltd.	20	3.2 (8)
90	CSSC Comprehensive Technology and Economic Research Service Center	0	3.2 (1)
91	Guangzhou Shipbuilding Co., Ltd	25	
92	Guangzhou Shipbuilding Human Resources Service Co., Ltd.	25	
93	Guangzhou Shipyard Technical School	20	3.2 (8)
94	Guangzhou Bohang Environmental Monitoring Service Co., Ltd.	20	3.2 (8)
95	Guangzhou Shipyard Nursing Home Co., Ltd.	20	3.2 (8)
96	Shanghai Jiangnan Shipyard Co., Ltd.	25	
97	Shanghai Jiangnan Craft Manufacturing Co., Ltd.	25	
98	Shanghai Jiangnan Changxing Enterprise Development Co., Ltd.	25	

China State Shipbuilding Corporation Limited  
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NO.	Corporate name	Tax rate (%)	Remarks
99	Shanghai Jiangnan Industrial Co., Ltd.	25	
100	Shanghai Dongzhen Ship Engineering Co., Ltd.	25	
101	CSSC Electronic Technology Co., Ltd.	15	3.2 (5)
102	Haifeng Tonghang Technology Co., Ltd.	15	3.2 (5)
103	Shanghai Zhongruitong Aviation Service Co., Ltd.	15	3.2 (5)
104	HAIYING Enterprise Group Co., Ltd.	25	
105	Wuxi Haiying Supplies Co., Ltd.	25	
106	Wuxi Haiying Household Electric Appliance Fittings Factory	25	
107	Wuxi Haiying Jiake Marine Technology Co. Ltd.	15	3.2 (5)
108	Wuxi Haiying Electronic Medical System Co. Ltd.	15	3.2 (5)
109	Wuxi Haiying Medical Technology Co., Ltd.	25	
110	Wuxi Haiying International Trading Co., Ltd.	25	
111	Wuxi Haiying Engineering Equipment Company	25	
112	CSSC Navigation Technology Co., Ltd.	15	3.2 (5)
113	Shanghai Smithfield Industrial Co., Ltd.	25	
114	Zhoushan Haifeng General Aviation Service Co., Ltd.	25	
115	Tianjin Hairi Electronics Co., Ltd.	15	3.2 (5)
116	CSSC Electronic Technology (Sanya) Co., Ltd.	20	3.2 (8)
117	Xi'an Pan-China Science and Technology Development Co Ltd	15	3.2 (5)
118	CSSC (Zhejiang) Marine Technology Co., Ltd.	25	
119	Wuxi Haiying Sensor Co., Ltd.	25	
120	CSSC Marine Exploration Technology Research Institute Co., Ltd.	25	
121	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	25	
122	China Shipbuilding Industry Bureau of Retired Officials	0	3.2 (1)
123	China State Shipbuilding Industry Systems Research Institute	15	3.2 (5)
124	Beijing CSSC InfoTech Co., Ltd.	15	3.2 (5)
125	Beijing Leiyin Electronic Technology Development Co., Ltd.	15	3.2 (5)
126	Beijing Shipping Hotel Co., Ltd.	25	
127	Beijing Sirui Investment Development Co., Ltd.	25	
128	Guangzhou Shipbuilding Industry Co., Ltd.	25	
129	Guangzhou Huangpu Shipyard Technical School	25	
130	Guangzhou Huangpu Shipyard Staff Hospital	25	
131	Guangzhou Huangpu Shipyard Kindergarten	25	
132	Guangzhou Huamao Center	25	
133	Huachang International Shipping Co., Ltd.	16.5	3.2 (6)
134	China Shipbuilding Trade Guangzhou Company	25	

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NO.	Corporate name	Tax rate (%)	Remarks
135	Guangzhou Shipbuilding and Marine Engineering Design and Research Institute	15	3.2 (5)
136	Guangzhou Hairong Industrial Co., Ltd.	25	
137	Guangzhou Hairong Construction Supervision Co., Ltd.	25	
138	Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd	25	
139	Hualian Shipyard Co., Ltd	16.5	3.2 (6)
140	Marinequip China Co., Ltd	16.5	3.2 (6)
141	Huaguang Development Co. Ltd.	16.5	3.2 (6)
142	Hongkong Marvy Co., Ltd.	16.5	3.2 (6)
143	Unique International Limited	16.5	3.2 (6)
144	Shanghai Ruiyuan Real Estate Development Co., Ltd	25	
145	Shanghai Ruiyuan Property Management Co., Ltd.	20	3.2 (8)
146	Changshu CSSC Ruiyuan Real Estate Development Co., Ltd.	25	
147	Shanghai Ruizhou Real Estate Development Co., Ltd	25	
148	CSSC Shanghai Shipbuilding Industry Co., Ltd	25	
149	Shanghai Huachuan Asset Management Co., Ltd.	25	
150	Shanghai Yangzi International Travel Agency Co., Ltd.	25	
151	CSSC (Hongkong) Shipping Leasing Co., Ltd.	16.5	3.2 (6)
152	China Bridge Shipping Co. Ltd.	16.5	3.2 (6)
153	CP Global Holdings	16.5	3.2 (6)
154	Rui Lin Marine Engineering Co., Ltd.	17	3.2 (7)
155	CSSC Financial Leasing (Tianjin) Co., Ltd.	25	
156	CSSC Financial Leasing (Shanghai) Co., Ltd.	25	
157	China Shipbuilding and Marine Engineering Design and Research Institute	15	3.2 (5)
158	Shanghai CSSC National Engineering Research Center Co., Ltd.	15	3.2 (5)
159	Shanghai Haixun Electromechanical Engineering Co. Ltd.	15	3.2 (5)
160	Shanghai Hai Qin Property Management Co., Ltd.	20	3.2 (8)
161	Shanghai Songyuan Ship Science and Technology Communication Center	20	3.2 (8)
162	Shanghai Ship & Ocean Engineering Design Co., Ltd.	20	3.2 (8)
163	Guangzhou CSSC Wenchong Shipyard Co., Ltd	15	3.2 (5)
164	Guangzhou Nanfang Special Painting Co., Ltd.	25	
165	CSSC Power Reserch Institute Co., Ltd	15	3.2 (5)
166	CSSC Marine Power Technology Service Co., Ltd.	25	
167	CSSC Offshore and Marine Engineering (Group) Co., Ltd	25	
168	Guangzhou Hongfan Computer Technology Co., Ltd.	15	3.2 (5)
169	CSSC Huangpu Wenchong Shipping Co., Ltd.	15	3.2 (5)
170	GLORY GROUP DEVELOPMENT LIMITED	16.5	3.2 (6)

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NO.	Corporate name	Tax rate (%)	Remarks
171	FONKWANG DEVELOPMENT LIMITED	16.5	3.2 (6)
172	Zhanjiang Nanhai Warship Hi-tech Service Co., Ltd.	20	3.2 (8)
173	Guangzhou Zhongchuan Wenchong Bingshen Equipment Co., Ltd.	25	
174	Huashun International Shipping Co., Ltd.	25	
175	Guangzhou Wenchuan Heavy Industry Co., Ltd.	25	
176	CSSC (Guangzhou) New Energy Co., Ltd.	25	
177	Guangzhou Xinhang Human Resources Service Co., Ltd.	25	
178	Guangzhou Wenchong Shipyard Co., Ltd.	25	
179	Guangzhou Star Ocean Engineering Design Co., Ltd.	25	
180	Guangzhou HS Marine Engineering Co., Ltd.	25	
181	Hualong International Shipping Co., Ltd.	25	
182	Guangzhou Shipyard International Co., Ltd.	25	
183	Guangzhou Guangli Marine Human Resources Service Co., Ltd.	25	
184	Zhongshan GSI Shipping & Marine Engineering Co., Ltd.	25	
185	Guangzhou Yonglian Steel Structure Co., Ltd.	25	
186	Guangzhou GS Large Machinery & Equipment Co., Ltd.	25	
187	Guangdong GSI Elevator Co., Ltd.	25	
188	Guangzhou Longxue Pipe Industry Co., Ltd.	25	
189	Guangzhou Xingshun Ship Service Co., Ltd.	20	3.2 (8)
190	Guangzhou Hongfan Hotel Co., Ltd.	25	
191	CSSC Science & Technology Co., Ltd.	25	
192	China Shipbuilding NDRI Engineering Co., Ltd.	15	3.2 (5)
193	Shanghai Jiangnan Marine Electrical Equipment Co., Ltd.	25	
194	CSSC Huahai Marine Equipment Co., Ltd.	25	
195	CSSC Design & Research Institute Co., Ltd.(CSEI)	25	
196	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	25	
197	Shanghai Zhenhua Engineering Consulting Co., Ltd.	25	
198	Shanghai Jiuhong Development Industry Company	25	
199	Shanghai Jiuyin Investment Development Co., Ltd.	25	
200	Shanghai Chongming CSSC Construction Co., Ltd.	25	
201	Shanghai CSSC NDRI Engineering Consulting Co., Ltd.	25	
202	Shanghai Jiusheng Construction Design Co., Ltd.	25	
203	Yangzhou Sanwan Investment Development Co., Ltd.	25	
204	Changshu CSSC Meili Urban-Rural Integration Construction Co., Ltd.	25	
205	Shanghai CSSC building Technology Development Co., Ltd.	25	
206	Jiangnan Derris (Nantong) Marine Equipment Manufacturing Co., Ltd.	25	



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NO.	Corporate name	Tax rate (%)	Remarks
207	Shanghai CSSC Geotechnical Engineering Co., Ltd.	25	
208	Shanghai Puzhou Industrial Co., Ltd.	25	
209	Shanghai Lu Pu Bridge Investment and Development Co., Ltd.	25	
210	CSSC Heavy Equipment Co., Ltd.	25	
211	China CSSC Holdings Limited	25	
212	Hudong Heavy Machinery Co., Ltd.	15	3.2 (5)
213	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	15	3.2 (5)
214	CSSC Chengxi Shipbuilding Co. Ltd.	15	3.2 (5)
215	Shanghai Jiangnan Changxing Heavy Industry Co., Ltd.	15	3.2 (5)
216	China Shipping Equipment Co., Ltd.	15	3.2 (5)
217	Shanghai Waigaoqiao Shipbuilding Marine Engineering Design Co., Ltd.	15	3.2 (5)
218	CSSC Chengxi Senior Technical School	25	
219	Jiangyin CSSC Chengxi Senior Technical School Internship Factory	25	
220	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	15	3.2 (5)
221	CSSC Marine Power Components Co., Ltd.	15	3.2 (5)
222	Shanghai CSSC Marine Boiler Equipment Co., Ltd.	25	
223	CSSC Chengxi Xinrong Shipping Co., Ltd.	25	
224	CSSC Chengxi (Jiangsu) Heavy Industry Co., Ltd.	25	
225	Shanghai Hudong Shipbuilding Diesel Engine Accessories Co., Ltd.	25	
226	CSSC Cruise Technology Development Co., Ltd.	25	
227	CSSC Chengxi Yangzhou Shipping Co., Ltd.	25	
228	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	15	3.2 (5)
229	Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	15	3.2 (5)
230	Shanghai Huxu Equipment Engineering Co., Ltd.	25	
231	Shanghai Edward Shipbuilding Co., Ltd.	25	
232	Shanghai Hudong Forging Factory Co., Ltd.	25	
233	Shanghai Dongyun Ship Engineering Co., Ltd.	25	
234	Shanghai Dongxin Software Engineering Co., Ltd.	15	3.2 (5)
235	Hudong Zhonghua Shipbuilding Group Changxing Shipbuilding Co., Ltd.	25	
236	Shanghai Hudong Shipbuilding Glib Pump Co. Ltd.	15	3.2 (5)
237	Shanghai Xinwu Industry and Trade Co., Ltd.	25	
238	Shanghai East Ship Logistics Co., Ltd.	25	
239	Shanghai Dongzhou Industrial Co., Ltd.	25	
240	Shanghai Chongnan Metal Structure Parts Co., Ltd.	25	
241	Shanghai Dongding Steel Structure Co., Ltd.	15	3.2 (5)
242	Shanghai Hukai Steel Structure Co., Ltd.	25	

NO.	Corporate name	Tax rate (%)	Remarks
243	Shanghai Shipping Property Management Co., Ltd.	25	
244	CSSC Power Equipment Co., Ltd.	15	3.2 (5)
245	Shanghai Lezhou Power Generation Equipment Co., Ltd.	25	
246	Nantong Shipping Electricity Station Operation Department	25	
247	Hudong Zhonghua Shipbuilding Group Ship Equipment Co., Ltd.	25	
248	Shanghai Changxing Metal Processing Co., Ltd.	25	
249	Shanghai Hudong No. Three Ship Accessories Co. Ltd.	15	3.2 (5)
250	Hudong Zhonghua Shipbuilding Group Advanced Technical School	0	3.2 (1)
251	Shanghai Hudong Marine Parts Factory Co., Ltd.	25	
252	Shanghai Hudong Shipbuilding Valve Co., Ltd.	25	
253	Shanghai Shipyard Co., Ltd.	15	3.2 (5)
254	Shanghai Shipyard Songjiang Branch	25	
255	Shanghai Shipyard Pudong Marine Equipment Factory	25	
256	Shanghai Shipyard Yangshuo Branch	25	
257	Shanghai Heqing Shipyard Ship Accessories Factory	20	3.2 (8)
258	Shanghai Shipyard Investment Management Co., Ltd.	25	
259	Shanghai JunZhou Real Estate Development and Management Co., Ltd.	25	
260	Shanghai Zhouxin Property Co., Ltd.	25	
261	Shanghai Zhengmao Industrial Chain Factory Co., Ltd.	25	
262	Shanghai Shipyard Technical School	25	
263	Shanghai Pudong New Area Security Technology Training Center	25	
264	Shanghai Pudong Shanghang Shipping Vocational Technical School	25	
265	Shanghai Lingqiao Shipyard Shipbuilding and Repair Factory	20	3.2 (8)
266	CSSC Jiangxi Chaoyang Machinery Plant	25	
267	Jiujiang Precision Testing Technology Research Institute	15	3.2 (5)
268	Jiujiang Lushan Cuizhu Villa Co., Ltd.	25	
269	Jiujiang Jingda Detection Technology Co. Ltd.	15	3.2 (5)
270	Shanghai Ship Design and Research Institute	15	3.2 (5)
271	Shanghai Starry Ship Marine Engineering Services Co., Ltd.	15	3.2 (5)
272	CSSC Power Co., Ltd	15	3.2 (5)
273	Anqing CSSC Diesel Engine Co., Ltd.	15	3.2 (5)
274	Anqing Marine Electric Co., Ltd.	15	3.2 (5)
275	Anqing Shipbuilding Power Co., Ltd.	25	
276	CSSC Anqing Kil Engine Co., Ltd.	25	
277	Zhenjiang CSSC Modern Power Equipment Co., Ltd.	15	3.2 (5)
278	CSSC Jiujiang Industry Co.,Ltd	25	

NO.	Corporate name	Tax rate (%)	Remarks
279	Jiujiang Haitian Equipment Manufacturing Co., Ltd.	25	
280	Jiangxi CSSC Navigation Instrument Co., Ltd.	15	3.2 (5)
281	Jiujiang CSSC Firefighting Equipment Co., Ltd.	15	3.2 (5)
282	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	25	
283	Jiujiang CSSC Chemical Technology Co., Ltd.	20	3.2 (8)
284	Jiujiang CSSC Changan Firefighting Equipment Co., Ltd.	15	3.2 (5)
285	China Shipbuilding Industry Trade Jiujiang Company	25	
286	Jiujiang Shipbuilding Trading Co., Ltd.	25	
287	SHIPBUILDING TECHNOLOGY RESEARCH INSTITUTE	15	3.2 (5)
288	Shanghai Zhouyi Construction Engineering Advisory Monitoring Co., Ltd.	25	
289	Shanghai Taike Industrial Company	25	
290	Shanghai Graco Technical Service Station	25	
291	Shanghai Shenbo Information System Engineering Co., Ltd.	15	3.2 (5)
292	Shanghai CSSC Lingang Shipping Equipment Co., Ltd.	25	
293	Shanghai Bada Coating Equipment Factory Co., Ltd	5	3.2 (4)
294	Shanghai Shipbuilding Engineering Quality Inspection Co., Ltd.	25	
295	Shanghai CSSC Materials Engineering Co., Ltd.	25	
296	Shanghai Shipping Technology Research Institute Zhoushan Ship Engineering Research Center	25	
297	Jiangyin Hualxin Corrosion Control Co.,Ltd.	25	
298	Jiangnan Heavy Industry Co., Ltd.	25	

### 6.3 Significant tax incentives and approval documents

#### 6.3.1 Value-added tax

(1) Export income: In some units of the Group, self-exported and self-produced goods are subject to exemption, deduction, and refund, with a tax rebate rate of 17%.

(2) Income from medical services: According to the "Provisional Regulations on Business Tax of the People's Republic of China" (Decree No. 136 of the State Council of the People's Republic of China on December 13, 1993), the provision of medical services is exempted from business tax; according to the "Notice on Effectively and Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value-Added Tax" (Cai Shui [2016] No. 36) issued by the Ministry of Finance and the State Administration of Taxation, and relevant policies of "Replacing Business Tax with Value-Added Tax", incomes earned from medical treatment provided by Shanghai Jiangnan Shipyard Group staff hospital and other subsidiaries of the Group are exempt from VAT since May 1, 2016.

(3) Income from the provision of educational services: According to the “Notice of the Ministry of Finance and the State Administration of Taxation on Educational Tax Policies” (Cai Shui [2004] No. 39), the provision of educational services offered by schools that are engaged in the academic education is exempt from business tax; according to the “Notice on Effectively and Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value-Added Tax” (Cai Shui [2016] No. 36) issued by the Ministry of Finance and the State Administration of Taxation and relevant policies of “Replacing Business Tax with Value-Added Tax”, incomes earned from education services provided by Jiangnan Shipyard Group Occupational Technology School, Shanghai Jiangnan Vocational Skills Training Center and other subsidiaries of the Group which engaged in the academic education are exempt from VAT since May 1, 2016.

#### 6.3.2 Corporate income tax

(1) Six subsidiaries of the Group, including Shanghai Jiangnan Shipyard Group Staff Hospital, provide non-taxable services and the corporate income tax rate is zero.

(2) Two overseas subsidiaries, including China Shipbuilding Industry Trade (BVI) Co., Ltd., are registered in the British Virgin Islands and the corporate income tax rate is zero.

(3) Five overseas subsidiaries, including CS Shipping Company Limited, are registered in the Marshall Islands with a corporate income tax rate of zero.

(4) Shanghai Bada Coating Equipment Factory Co., Ltd., adopted verification collection method, and the taxable income is calculated at 5% of the income.

(5) Fifty-seven subsidiaries, including, Jiangnan Shipyard (Group) Co., Ltd., are national High-tech enterprises and the corporate income tax rate is 15%.

(6) Thirteen overseas subsidiaries, including, China Shipbuilding Complete Logistics (Hong Kong) Co., Ltd., all registered in Hong Kong, and implemented the capital gains tax at a rate of 16.5%.

(7) CSSC Energy (Singapore) Co., Ltd. and Ruilin Marine Engineering Co., Ltd., registered in Singapore, with a tax rate of 17%.

(8) 37 subsidiaries, including, CSSC Property Management Co., Ltd. are small profit-making enterprises with a taxable income of less than RMB 1,000,000 (including RMB 1,000,000), of which the income is reduced by 50% to be included in the taxable income, and with a tax rate of 20%, to pay the corporate income tax.

(9) Winterthur Gas & Diesel AG, registered in Switzerland, with a tax rate of 27.38%.

## 7. Business combinations and consolidated financial statements

### 7.1 Situation of the subsidiaries

No.	Company name	Level	Company type	Principal place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
1	China Shipbuilding and Marine Engineering Design and Research Institute	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	48,337.58	100	100	51,307.05	1
2	China Institute of Marine Technology and Economy	2	4	Beijing	Beijing	Engineering and technology research and experimental development	14,888.17	100	100	3,594.07	1
3	China State Shipbuilding Industry Systems Research Institute	2	4	Beijing	Beijing	Research on ship system engineering	138,784.88	100	100	75,752.64	1
4	China Shipbuilding Trading Co., Ltd	2	1	Beijing	Beijing	Other machinery equipment and wholesale of electronics	33,355.02	50	100	16,677.51	1
5	China Shipbuilding Industry Bureau of Retired Officials	2	1	Beijing	Beijing	Other unlisted services	0	50	100	0.00	1
6	Shipbuilding Technology Research Institute	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	8,605.00	100	100	10,359.23	1
7	China Shipbuilding Industry Government Service Center	2	4	Beijing	Beijing	Office services and living services of office employees	4,710.18	50	100	1,417.83	1
8	China CSSC Holdings Limited	2	1	Shanghai	Shanghai	Metal shipbuilding	137,811.76	51.18	51.18	222,227.95	1
9	China Ship News Agency	2	4	Beijing	Beijing	News industry	100	50	100	50.00	1
10	CSSC (Hongkong) Shipping Leasing Co., Ltd.	2	3	Hong Kong	Hong Kong	Lease of other machinery and equipment	377,193.03	100	100	374,882.51	1
11	CSSC Investment and Development Co., Ltd	2	1	Beijing	Beijing	Investment management	600,000.00	100	100	600,302.69	1
12	CSSC Shanghai Shipbuilding Industry Co., Ltd	2	1	Shanghai	Shanghai	Design, manufacture and repair of ship and marine mechanical and electrical products	1,460.00	100	100	4,502.71	1
13	CSSC Jiujiang Industry Co., Ltd	2	1	Jiujiang	Jiujiang	Metal shipbuilding	27,115.98	100	100	70,885.86	1

No.	Company name	Level	Company type	Principal place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
14	CSSC Southern China Marine Machinery Co., Ltd	2	1	Wuzhou	Wuzhou	Marine equipment manufacturing	34,580.51	100	100	39,108.70	1
15	CSSC Guangxi Shipping and Marine Engineering Co., Ltd	2	1	Guangxi	Guangxi	Metal shipbuilding	88,774.29	81.83	81.83	74,741.60	1
16	CSSC Industrial Complete Logistics Co., Ltd	2	1	Shanghai	Shanghai	Freight forwarding agent	101,503.82	100	100	101,503.82	1
17	CSSC Science & Technology Co., Ltd.	2	1	Shanghai	Shanghai	Marine equipment manufacturing	73,624.99	41.28	41.28	87,573.94	1
18	CSSC Marine Power Co., Ltd	2	1	Zhenjiang	Zhenjiang	Marine equipment manufacturing	128,715.01	100	100	167,470.54	1
19	CSSC Power Research Institute Co., Ltd	2	1	Shanghai	Shanghai	Engineering and technology research and experimental development	112,477.00	100	100	112,477.00	1
20	CSSC Electronic Technology Co., Ltd	2	1	Beijing	Beijing	Marine equipment manufacturing	100,360.00	100	100	132,201.49	1
21	Guangzhou CSSC Wenchong Shipyard Co., Ltd	2	1	Guangzhou	Guangzhou	Ship modification and repair	164,384.10	100	100	83,684.25	3
22	CSSC Finance Co., Ltd	2	2	Shanghai	Shanghai	Finance company	300,000.00	100	100	322,897.72	1
23	Shanghai Ruizhou Real Estate Development Co., Ltd	2	1	Shanghai	Shanghai	Real estate development and management	10,000.00	82	82	8,200.00	1
24	Shanghai Ruiyuan Real Estate Development Co., Ltd	2	1	Shanghai	Shanghai	Real estate development and management	9,000.00	100	100	19,978.30	1
25	Shanghai Lu Pu Bridge Investment and Development Co., Ltd	2	1	Shanghai	Shanghai	The municipal public facilities management	10,000.00	60	60	6,000.00	1
26	Shanghai Jiangnan Shipyard Co., Ltd.	2	1	Shanghai	Shanghai	Marine equipment manufacturing	35,358.02	100	100	31,272.41	1
27	Shanghai Ship Design and Research Institute	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	3,163.90	100	100	5,537.19	1
28	Nanjing CSSC Lvzhou Machinery Co., Ltd	2	1	Nanjing	Nanjing	Marine equipment manufacturing	56,722.00	100	100	68,161.22	1
29	Jiujiang Precision Testing Technology Research Institute	2	4	Jiujiang	Jiujiang	Instrumentation, precision test equipment manufacturing and testing	30,175.58	100	100	21,860.80	1

No.	Company name	Level	Company type	Principal place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
30	Jiangnan Shipyard (Group) Co., Ltd	2	1	Shanghai	Shanghai	Metal shipbuilding	293,156.01	100	100	394,141.02	1
31	Hualian Shipyard Co., Ltd	2	3	Hong Kong	Hong Kong	Trade brokers and agents	9,215.48	50	100	4,607.74	1
32	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	2	1	Shanghai	Shanghai	Metal shipbuilding	341,725.11	100	100	394,016.11	1
33	Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd	2	5	Guangzhou	Guangzhou	The management and contraction of shipyard construction projects	2,000.00	100	100	2,000.00	1
34	Guangzhou Shipbuilding Co., Ltd	2	1	Guangzhou	Guangzhou	Metal shipbuilding	15,000.00	100	100	15,000.00	1
35	CSSC Offshore and Marine Engineering (Group) Co., Ltd	2	1	Guangzhou	Guangzhou	Metal shipbuilding	141,350.64	59.97	59.97	370,810.46	1
36	Guangzhou Shipbuilding and Marine Engineering Design and Research Institute	2	4	Guangzhou	Guangzhou	Engineering and technology research and experimental development	4,105.53	100	100	70.85	1
37	Guangzhou Shipbuilding Industry Co., Ltd.	2	1	Guangzhou	Guangzhou	Design, manufacture and repair of ship and mechanical and auxiliary equipment	7,370.94	100	100	96,730.16	1
38	Jiangnan Shipyard (Group) Co., Ltd	2	4	Beijing	Beijing	Other unlisted education	531.44	100	100	654.66	1
39	CSSC Heavy Equipment Co., Ltd	2	1	Guangzhou	Guangzhou	Maine equipment manufacturing	9,300.00	100	100	9,300.00	1
40	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	2	1	Beijing	Beijing	Investment and asset management	10,000.00	100	100	10,000.00	1

**Note:** Company type: 1. Domestic non-financial subsidiary; 2. Domestic financial subsidiary; 3. Overseas subsidiary; 4. State-run institution; 5. Construction institution of infrastructure.  
Acquisition method: 1. Established from investment; 2. Business combination under common control; 3. Business combination not under common control; 4. Others.



7.2 The reason for the parent company controlling the invested corporate while holding less than half of the voting rights of it

(Unit: RMB 0'000)

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason for being included in the scope of consolidation
1	CSSC Science & Technology Co., Ltd.	41.28	41.28	73,624.99	87,573.94	2	Major shareholders of listed companies, substantial control
2	Shanghai Jiusheng Architectural Design Co., Ltd.	30.00	30.00	100.00	30.00	4	The general manager and financial director of Shanghai Jiusheng architectural design limited company appointed by China Shipbuilding NDRI Engineering Co., LTD, other shareholders are natural persons. NDRI Engineering is the biggest shareholder having substantive control.
3	Shanghai Sino Swiss general aviation Co., Ltd.	39.39	39.39	3,300.00	1,300.00	4	substantial control
4	Tianjin CSSC Jianxin Haigong Investment Management Co., Ltd.	16.68	16.68	750,100.00	125,100.00	3	The group has to ensure contributors of the company, China Life Insurance Company and Shanghai branch of China Construction Bank to get the expected revenue and exit in time with no condition.

7.3 The reason for the parent company failing to control the invested corporate while holding more than half of the voting rights of it directly or indirectly through other subsidiaries

(Unit: RMB 0'000)

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason for not being included in the scope of consolidation
1	Anqing Far East Trade Corporation	100	100	56.3	201.06	4	revoked
2	Anqing Far East Color Printing Packing Factory	100	100	20	14.53	4	revoked
3	Beijing CSSC Gas Engineering Co., Ltd	100	100	55	55.00	3	Stop operating
4	Southern environment co. LTD.	60	60	50,000.00	3,000.00	3	Without substantial control
5	Shanghai Dongxuan Technology Development Co., Ltd.	100	100	252.2	738.48	3	Intends to write off, has entered the liquidation procedures

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason for not being included in the scope of consolidation
6	Shanghai Hetong Labor Service Co. Ltd.	51	51	20	10.20	4	Written off
7	Shanghai Huchuan Engineering Industry Co., Ltd.	83.33	83.33	1,553.59	1,294.66	3	Has entered the rectification process
8	Shanghai Huihai Ship Equipment Co., Ltd.	80	80	300	1,120.00	3	Without substantial control
9	Shanghai Kaida Ship Economic Technology Co. Ltd.	90	90	200	180.00	3	revoked
10	Shanghai Ouxiang Steel Structure Co. Ltd.	60	60	USD28.00	444.25	4	Written off
11	Shanghai Shipyard Kawada Steel Structure Co., Ltd.	66.67	66.67	USD 600.00	2,941.73	4	has entered the liquidation procedures
12	Xuzhou CSSC Sunshine Investment Development Co., Ltd	51	51	5,000.00	2,550.00	4	Major matters of the board of directors must be approved by more than two-thirds of the votes, and cannot be controlled in substance.
13	CSSC - Fincantieri Cruise Industry Development Limited	60	60	108,442.60	65,065.56	5	A cooperative enterprise, Jointed controlled with foreign shareholders
14	CSSC Wartsila Engine (Shanghai) Co. Ltd.	51	51	27,000.00	13,770.00	3	Foreign shareholders have one vote veto power
15	CSSC (Europe) Co., Ltd.	100	100	488.00	412.71	2	Unable to obtain financial statements, intends to write off

#### 7.4 Details of non-wholly owned subsidiaries

##### 7.4.1 Minority shareholders

(Unit: RMB 0'000)

No.	Name of subsidiaries	Percentage of minority shareholding	Current profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interest as at the end of the term
1	China CSSC Holdings Limited	48.82%	9,927.44	0	722,806.33
2	CSSC Offshore and Marine Engineering (Group) Co., Ltd	40.03%	-14,832.12	0	450,053.45
3	CSSC Science & Technology Co., Ltd.	58.72%	387.99	0	214,907.65
4	China Shipbuilding Trading Co., Ltd	50%	6,658.22	0	199,201.25
5	Hualian Shipyard Co., Ltd	50%	821.28	0	38,849.83

7.4.2 Main financial information

(Unit: RMB 0'000)

Item	The amount of current term				
	China CSSC Holdings Limited	CSSC Offshore and Marine Engineering (Group) Co., Ltd	CSSC Technology Co., Ltd.	China Shipbuilding Trading Co., Ltd	Hualian Shipyard Co., Ltd
Current assets	3,214,913.38	2,969,655.93	547,096.87	1,260,615.13	86,250.49
Non-current assets	1,607,165.56	1,450,957.79	570,653.48	141,351.85	42,601.02
Total assets	4,822,078.94	4,420,613.71	1,117,750.35	1,401,966.98	128,851.51
Current liabilities	1,694,612.85	2,237,652.64	455,382.69	953,381.70	27,356.35
Non-current liabilities	1,097,017.69	528,291.59	256,931.10	54,791.71	25,099.05
Total liabilities	2,791,630.54	2,765,944.23	712,313.79	1,008,173.42	52,455.40
Operating revenue	763,819.53	802,232.53	144,410.20	117,691.05	5,074.86
Net profit	24,936.95	-24,887.67	-611.16	13,316.44	1,642.55
Total comprehensive income	24,209.22	-25,235.44	-484.62	13,558.37	919.94
Cash flows from operating activities	107,960.63	-254,912.64	-60,322.26	51,019.47	804.29

(Continued)

Item	The amount of last year				
	China CSSC Holdings Limited	CSSC Offshore and Marine Engineering (Group) Co., Ltd	CSSC Technology Co., Ltd.	China Shipbuilding Trading Co., Ltd	Hualian Shipyard Co., Ltd
Current assets	3,281,396.01	2,957,560.13	580,082.58	1,315,445.64	86,307.57
Non-current assets	1,951,261.13	1,458,206.08	514,422.24	105,417.33	43,348.00
Total assets	5,232,657.13	4,415,766.20	1,094,504.81	1,420,862.97	129,655.57
Current liabilities	1,888,649.98	2,313,742.02	439,228.15	990,775.06	28,943.10
Non-current liabilities	1,844,508.84	907,410.00	249,001.26	49,852.71	25,236.01
Total liabilities	3,733,158.82	3,221,152.02	688,229.41	1,040,627.77	54,179.12
Operating revenue	853,732.95	1,041,753.12	186,326.95	260,168.34	8,714.68
Net profit	-9,560.31	5,195.60	736.32	8,536.90	2,552.38
Total comprehensive income	-9,560.31	5,216.90	908.06	11,831.62	421.86
Cash flows from operating activities	-60,130.62	-377,226.85	-89,303.98	-32,709.52	-4,383.73

## 7.5 Change of consolidation scope in this term

### 7.5.1 Subsidiaries newly included in the scope of consolidation in this term

Company name	Shareholding percentage (%)	Net assets as at 30/6/2018	Net profit of this year	Remarks
Jiangyin Hualxin Corrosion Control Co., Ltd.	100.00	16,620,220.54	800,312.03	On December 2, 2017, the shareholders of the company signed the "Shareholders' Capital Reduction Agreement". After the capital reduction, CSSC Chengxi Shipbuilding Co., Ltd. holds 100% of the company's equity. On January 8, 2018, the company handled the registration procedures for industrial and commercial changes, so it was included in the scope of consolidation.
Jiangnan Heavy Industry Co., Ltd.	100.00	475,936,890.35	-3,149,768.70	According to the document of CSSC (Chuan Gong Jing [2017] No. 322), "the approval of Jiangnan Heavy Industry Co., Ltd. to merger by absorption China Shipbuilding Dingsheng (Shanghai) Steel Structure Engineering Co., Ltd.", the procedure of written off was completed on January 9, 2018. Jiangnan Heavy Industry absorbed China Shipbuilding Dingsheng, so it was included in the scope of consolidation.

### 7.5.2 Subsidiaries no longer included in the scope of consolidation

Name	Reason
Jiujiang CSSC Fire Fighting Automation Co., Ltd.	According to the resolution of the shareholders' meeting, Jiujiang Zhongchuan Fire Equipment Co., Ltd. transferred 27% of the shares held by the company to Shanghai Hehai Ship Equipment Co., Ltd. After the transfer, Jiujiang Zhongchuan Fire Equipment Co., Ltd. holds 16% of the shares and is no longer included in the scope of consolidation. On July 23, 2018, the company completed the registration procedures for industrial and commercial changes.
CSSC Dingsheng (Shanghai) Co., Ltd.	According to the document of CSSC (Chuan Gong Jing [2017] No. 322), "the approval of Jiangnan Heavy Industry Co., Ltd. to merger by absorption China Shipbuilding Dingsheng (Shanghai) Steel Structure Engineering Co., Ltd.", the procedure of written off was completed on January 9, 2018. The company was no longer included in the scope of consolidation.
Guangzhou Longxue Real Estate Co., Ltd.	According to the decompression work plan issued by the CSSC document (Chuan Gong Jing [2017] No. 359), the company organized the liquidation and closure of the subsidiary, Longxue Real Estate, in accordance with the property rights relationship. On May 30, 2018, the company completed the liquidation and was no longer included in the scope of consolidation.
China Shipping Equipment Co., Ltd.	China Cssc Holdings Limited (hereinafter referred to as "the Company") held the twenty-fifth meeting of the sixth board of directors on January 25, 2018 by telecommunication voting. The meeting reviewed and approved "Proposal on the Public Listing Transfer of 26% of the equity of China Shipping Shenghui by Company's subsidiary Shanghai Waigaoqiao Shipbuilding Company Limited". The company's controlling subsidiary, Waigaoqiao Shipbuilding, was publicly listed on the Shanghai United Assets and Equity Exchange from March 8 to April 8, 2018, to transfer its shareholding in China Shipping Equipment. Rongsheng Holdings transferred the above equity by RMB 51,111,400. On May 14th, 2018, China Shipping Equipment completed the registration procedures for industrial and commercial changes. After the completion of the transfer, Waigaoqiao Shipbuilding no longer holds the equity of China Shipping Equipment.

Name	Reason
Zhangjiagang Jiangnan Steel Structure Co., Ltd.	The controlling shareholder of the parent company China Shipping Equipment Co., Ltd. has changed, and the CSSC cannot control the company after the change.
Shanghai Shangchuan New Donglian Ship Engineering Co., Ltd.	According to the resolution of the shareholders' meeting, the company officially entered the liquidation procedure in January 2018 and is no longer included in the scope of consolidation. As of June 30, 2018, the company has completed tax settlement.
Binjiang Vocational and Technical Training School	According to the resolution of the shareholders' meeting, the company officially entered the liquidation procedure in January 2018 and is no longer included in the scope of consolidation. As of June 30, 2018, the company has completed tax liquidation and industrial and commercial cancellation.
Shanghai CSSC Corruption&Fire Engineer Co., Ltd.	According to the resolution of the shareholders' meeting, CSSC Science&Technology will transfer 47% of the company's shares to Wuhan Hailite Trading Co., Ltd. On March 14, 2018, the company handled the registration procedures for industrial and commercial changes. After the transfer, the Shanghai Ship Technology Research Institute cannot control it and will not be included in the scope of consolidation.

## 7.6 Business combination involving enterprises not under common control

### 7.6.1 Basic business combination information

Acquiree	Investment date	Investment cost	Proportion of shares acquired (%)	Investment method	Acquisition date	Determination of acquisition date	Acquiree's income for the period from acquisition date to 30/6/2018	Acquiree's net profit for the period from acquisition date to 30/6/2018
Jiangyin Hualxin Corrosion Control Co., Ltd	2018-2-11	15,598,217.58	100.00		2018-2-11	Meet the five conditions for obtaining control	71,191,845.64	800,312.03

### 7.6.2 Combination cost and goodwill

Combination cost	Jiangyin Hualxin Corrosion Control Co., Ltd
--Cash	
--Fair value of non-cash assets	
--Fair value of liabilities issued or undertaken	
--Fair value of equity securities issued	
--Fair value of contingent consideration	
--Fair value of the previously-held equity investment at acquisition date	
--Others	15,598,217.58
Total of combination cost	15,598,217.58
Subtract: fair value of the identifiable net assets	15,819,908.51
Goodwill/combination cost less than fair value of the identifiable net assets	-221,690.93

### 7.6.3 Identifiable assets and liabilities of acquiree at acquisition date

	Jiangyin Hualxin Corrosion Control Co., Ltd	
	Fair value at acquisition date	Book value at acquisition date
Assets:	91,016,232.85	91,016,232.85
Monetary fund	18,792,425.49	18,792,425.49
Receivables	35,735,734.50	35,735,734.50
Prepayments	1,200.00	1,200.00
Interest receivable	29,017.17	29,017.17
Other receivables	1,118,140.81	1,118,140.81
Inventories	17,465,812.30	17,465,812.30
Fixed assets	17,855,165.08	17,855,165.08
Intangible assets		
Deferred income tax assets	18,737.50	18,737.50
Liabilities:	75,196,324.34	75,196,324.34
Borrowings		
Accounts payable	41,528,024.67	41,528,024.67
Employee pay payable	3,626,735.63	3,626,735.63
Taxes and surcharges payable	1,726,216.26	1,726,216.26
Dividends payable	2,330,231.68	2,330,231.68
Other payables	25,777,515.13	25,777,515.13
Special accounts payables	207,600.97	207,600.97
Deferred income tax liabilities		
Net assets	15,819,908.51	15,819,908.51
Subtract: Minority interests		
Net assets acquired	15,819,908.51	15,819,908.51

## 8. Notes to the consolidated financial statements

### 8.1 Monetary fund

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Cash on hand	3,956,575.21	3,980,815.78
Cash at bank	57,146,178,696.53	54,774,463,981.75
Other monetary funds	7,724,592,962.24	6,620,818,218.10

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
<b>Total</b>	<b>64,874,728,233.98</b>	<b>61,399,263,015.63</b>
Including: the total balance deposited overseas	765,805,747.61	594,709,757.61

List of restricted monetary funds

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Bank acceptance deposits	274,052,748.63	377,832,299.17
The letter of credit deposit, performance bond and banker's letter of guarantee	1,529,593,162.98	2,090,766,279.30
Time (notice) deposits for collateral or pledge	213,682,091.50	868,345,358.60
Central bank reserve	2,450,317,806.58	2,602,557,021.90
Time deposits over three months	763,776,185.16	-
Forward foreign exchange settlement deposit	345,386,399.89	7,000,609.97
Special funds for housing of employees	12,689,766.81	12,629,893.39
Blocked bank deposit		36,456.27
Foreign exchange trading margin		9,474,590.00
Property preservation		4,000,000.00
<b>Total</b>	<b>5,589,498,161.55</b>	<b>5,972,642,508.60</b>

8.2 Financial assets measured by fair value and whose changes will be recorded in current profit and loss

Item	Fair value as at 30/6/2018	Fair value as at 1/1/2018
Financial assets held for trading	3,022,537,991.06	2,555,500,428.92
Including: Equity instrument investment	101,812,997.52	80,539,470.47
Others	2,920,724,993.54	2,474,960,958.45
Financial assets designated upon initial recognition measured by fair value and whose changes will be recorded in current profit and loss	382,275,021.46	542,736,333.61
Including: Debt instrument investment	318,079,862.93	
Equity instrument investment		506,097,077.70
Others	64,195,158.53	36,639,255.91
<b>Total</b>	<b>3,404,813,012.52</b>	<b>3,098,236,762.53</b>

8.3 Notes receivable and Accounts receivable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Notes receivable	1,844,139,391.89	2,641,044,327.20
Accounts receivable	10,199,223,919.24	10,707,648,336.12
<b>Total</b>	<b>12,043,363,311.13</b>	<b>13,348,692,663.32</b>



### 8.3.1 Classification of Notes receivable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Bank acceptance bills	1,105,780,085.65	1,981,919,410.35
Trade acceptance bills	738,359,306.24	659,124,916.85
<b>Total</b>	<b>1,844,139,391.89</b>	<b>2,641,044,327.20</b>

### 8.3.2 Accounts receivable

Item	As at 30/6/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Receivables that are individually significant and subject to separate allowance	281,748,496.43	2.56	224,777,017.07	79.78
Receivables that are provided for doubtful debts allowance on portfolio basis	10,641,737,105.00	96.59	528,549,076.85	4.97
Receivables that are individually insignificant but subject to separate allowance	94,078,117.13	0.85	65,013,705.40	69.11
<b>Total</b>	<b>11,017,563,718.56</b>	<b>—</b>	<b>818,339,799.32</b>	<b>—</b>

(Continued)

Item	As at 1/1/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Receivables that are individually significant and subject to separate allowance	259,238,633.76	2.22	243,368,340.96	93.88
Receivables that are provided for doubtful debts allowance on portfolio basis	11,313,195,622.23	96.90	622,513,846.38	5.50
Receivables that are individually insignificant but subject to separate allowance	102,315,246.64	0.88	101,218,979.17	98.93
<b>Total</b>	<b>11,674,749,502.63</b>	<b>—</b>	<b>967,101,166.51</b>	<b>—</b>

## 8.4 Prepayments

### 8.4.1 Aging analysis of prepayments

Aging	As at 30/6/2018			As at 1/1/2018		
	Balance		Allowance for doubtful debts	Balance		Allowance for doubtful debts
	Amount	PCT (%)		Amount	PCT (%)	
Within 1 year	12,338,167,538.65	38.26	12.00	17,833,058,229.45	55.57	2,800,012.00
1-2 years	11,973,317,945.10	37.13	3,014,332.11	8,392,335,874.26	26.15	29,869,349.91
2-3 years	4,326,256,938.05	13.42	25,815,506.09	4,185,137,130.25	13.04	19,426,804.02

Aging	As at 30/6/2018			As at 1/1/2018		
	Balance		Allowance for doubtful debts	Balance		Allowance for doubtful debts
	Amount	PCT (%)		Amount	PCT (%)	
More than 3 years	3,609,102,667.71	11.19	4,107,924.57	1,680,323,112.42	5.24	3,404,881.46
<b>Total</b>	<b>32,246,845,089.51</b>	<b>—</b>	<b>32,937,774.77</b>	<b>32,090,854,346.38</b>	<b>—</b>	<b>55,501,047.39</b>

## 8.5 Other receivables

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Interest receivable	396,776,372.68	256,078,407.68
Dividends receivable	60,674,484.84	66,439,656.04
Other receivables	2,862,890,148.97	1,541,709,452.49
<b>Total</b>	<b>3,320,341,006.49</b>	<b>1,864,227,516.21</b>

### 8.5.1 Categories of interest receivable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Fixed-term deposits	219,133,370.77	125,359,278.54
Entrusted loans	59,530,221.77	45,044,707.48
Bond investments	63,594,110.00	71,830,780.79
Others	54,518,670.14	13,843,640.87
<b>Total</b>	<b>396,776,372.68</b>	<b>256,078,407.68</b>

### 8.5.2 Dividends receivable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018	Reason for outstanding	Whether impaired and determination basis
<b>dividends receivable with Aging within one year</b>	<b>180,584.79</b>	<b>43,809,670.44</b>		
Including:				
Shanghai Huarun Dadong Ship Engineering Co. Ltd.		41,447,827.67	Financial strain, payment deferred	No
Jiangyin Hualxin Corrosion Control Co., Ltd		2,097,208.51	Unpaid	No
<b>dividends receivable with Aging more than one year</b>	<b>60,493,900.05</b>	<b>22,629,985.60</b>	—	—
Including:				
Shanghai Huarun Dadong Ship Engineering Co. Ltd	41,447,827.67			
Shanghai Jiangnan Construction Contractor Co., Ltd.	11,220,000.00	22,000,000.00	Unpaid	No
Shanghai Nanlin storage and transportation company		500,000.00	Unpaid	No
<b>Total</b>	<b>60,674,484.84</b>	<b>66,439,656.04</b>		

### 8.5.3 Other receivables

Item	As at 30/6/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Receivables that are individually significant and subject to separate allowance	754,693,111.07	20.24	704,788,688.86	93.39
Receivables that are provided for doubtful debts allowance on portfolio basis	2,965,139,430.60	79.53	154,198,004.48	5.20
Receivables that are individually insignificant but subject to separate allowance	8,499,460.30	0.23	6,455,159.66	75.95
<b>Total</b>	<b>3,728,332,001.97</b>	<b>—</b>	<b>865,441,853.00</b>	<b>—</b>

(Continued)

Item	As at 1/1/2018			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Receivables that are individually significant and subject to separate allowance	808,278,046.23	33.12	750,486,306.22	92.85
Receivables that are provided for doubtful debts allowance on portfolio basis	1,623,598,673.81	66.52	139,680,961.33	8.60
Receivables that are individually insignificant but subject to separate allowance	8,727,352.36	0.36	8,727,352.36	100.00
<b>Total</b>	<b>2,440,604,072.40</b>	<b>—</b>	<b>898,894,619.91</b>	<b>—</b>

### 8.6 Buying back the sale of financial assets

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Securities	78,000,000.00	81,000,000.00
Subtract: Allowance for doubtful debts		
<b>Total book value</b>	<b>78,000,000.00</b>	<b>81,000,000.00</b>

### 8.7 Inventories

#### Categories of inventories

Item	As at 30/6/2018			As at 1/1/2018		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	7,207,511,582.97	233,755,126.42	6,973,756,456.55	5,382,318,550.08	249,332,163.74	5,132,986,386.34
Self-made semi-finished products and work-in-progress	6,933,473,086.12	287,279,898.48	6,646,193,187.64	6,269,059,050.57	348,754,253.73	5,920,304,796.84
Merchandise in stock (finished products)	2,179,233,004.25	117,307,397.22	2,061,925,607.03	2,191,410,595.99	146,521,726.15	2,044,888,869.84
Turnover materials	56,656,078.12		56,656,078.12	57,437,936.84	347,911.58	57,090,025.26

Item	As at 30/6/2018			As at 1/1/2018		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Project construction (Unsettled payment on the completed part)	26,290,994,744.94	2,245,910,950.47	24,045,083,794.47	26,731,962,237.64	2,065,225,895.68	24,666,736,341.96
Development cost of real estate enterprises	670,590,336.27		670,590,336.27	605,801,555.47		605,801,555.47
Land arrangement	663,556,954.11		663,556,954.11	566,983,694.50		566,983,694.50
Others	1,777,494,416.53	7,497,988.22	1,769,996,428.31	1,125,046,059.90	12,035,937.13	1,113,010,122.77
<b>Total</b>	<b>45,779,510,203.31</b>	<b>2,891,751,360.81</b>	<b>42,887,758,842.50</b>	<b>42,930,019,680.99</b>	<b>2,822,217,888.01</b>	<b>40,107,801,792.98</b>

#### 8.8 Non-current assets due within one year

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Trust wealth management products due within one year	2,326,086,276.00	2,561,100,000.00
Lease financing project		910,854,873.17
Long-term receivables due within one year	1,381,974,246.79	621,971,704.24
Entrusted loans due within one year	89,229,775.31	167,525,801.12
<b>Total</b>	<b>3,797,290,298.10</b>	<b>4,261,452,378.53</b>

#### 8.9 Other current assets

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Input tax to be deducted	4,648,799,821.82	5,376,500,962.63
Trust wealth management products	3,703,900,629.64	2,304,794,603.94
Reverse repurchase of national debt	150,000,000.00	466,900,000.00
Entrusted loans	324,049,322.60	304,490,250.24
Hedged items	428,043,571.30	225,257,255.23
Prepay taxes	38,336,156.42	82,851,258.80
Others	320,600,819.15	136,750,749.59
<b>Total</b>	<b>9,613,730,320.93</b>	<b>8,897,545,080.43</b>

#### 8.10 Loans and payments on behalf

8.10.1 Distribution of loans and payments on behalf according to individuals and companies are as following

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
loans and payments for companies	42,236,429.21	202,299,510.69
Including: Discount	42,236,429.21	148,299,510.69
Loans		54,000,000.00
<b>Total</b>	<b>42,236,429.21</b>	<b>202,299,510.69</b>
Subtract: Provision of losses of loans	933,480.74	5,057,487.77
Including: Provisions by portfolios	933,480.74	5,057,487.77
<b>Book value</b>	<b>41,302,948.47</b>	<b>197,242,022.92</b>

8.11 Available-for-sale financial assets

8.11.1 Available-for-sale financial assets

Item	Balance as at 30/6/2018			Balance as at 1/1/2018		
	Book balance	Provision for diminution in value	Book value	Book balance	Provision for diminution in value	Book value
Available-for-sale debt instruments	2,441,916,799.83	3,406,188.90	2,438,510,610.93	2,577,317,434.67	4,118,231.00	2,573,199,203.67
Available-for-sale equity instruments	7,443,692,558.64	156,581,515.75	7,287,111,042.89	6,868,402,137.18	126,692,668.13	6,741,709,469.05
Including: measured at fair value	4,099,627,677.58	79,853,844.00	4,019,773,833.58	4,861,010,025.73	73,846,152.00	4,787,163,873.73
measured at cost	3,344,064,881.06	76,727,671.75	3,267,337,209.31	2,007,392,111.45	52,846,516.13	1,954,545,595.32
Trust wealth management products	4,504,163,064.34	397,300,000.00	4,106,863,064.34	3,759,000,000.00	528,480,000.00	3,230,520,000.00
Others				3,083,358,966.62		3,083,358,966.62
Total	14,389,772,422.81	557,287,704.65	13,832,484,718.16	16,288,078,538.47	659,290,899.13	15,628,787,639.34

8.12 Long-term receivables

Item	Balance as at 30/6/2018			Balance as at 1/1/2018			Range of discount rate (%)
	Book balance	Allowance for doubtful debts	Book value	Book balance	Allowance for doubtful debts	Book value	
Finance Leases	13,763,843,606.13	271,780,496.72	13,492,063,109.41	7,893,084,410.47	311,505,444.49	7,581,578,965.98	5.00-10.00
Including: Unrealized finance income	2,087,818,066.08	-	2,087,818,066.08	2,152,466,770.09	-	2,152,466,770.09	5.00-10.00
Sales of goods by installment	1,108,723,763.93	172,624,065.31	936,099,698.62	1,012,511,001.95	172,125,520.59	840,385,481.36	1.49-3.25
Services rendering by installments	3,133,696,341.76	716,000.00	3,132,980,341.76	2,827,205,957.57	2,439,800.00	2,824,766,157.57	4.75
Others	1,387,911,329.92	20,824,305.13	1,367,087,024.79	3,612,470,199.61	19,980,482.65	3,592,489,716.96	4.00-10.00
Total	19,394,175,041.74	465,944,867.16	18,928,230,174.58	15,345,271,569.60	506,051,247.73	14,839,220,321.87	

### 8.13 Long-term equity investments

#### Categories of long-term equity investments

Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 30/6/2018
Subsidiaries	249,937,807.30			249,937,807.30
Joint venture	6,813,042,376.46	29,657,588.02	41,968,328.80	6,800,731,635.68
Associates	10,628,496,140.46	32,500,798.81	103,164,969.64	10,557,831,969.63
<b>Subtotal</b>	<b>17,691,476,324.22</b>	<b>62,158,386.83</b>	<b>145,133,298.44</b>	<b>17,608,501,412.61</b>
Subtract: provision for diminution in value of long-term equity investments	7,870,725.56			7,870,725.56
<b>Total</b>	<b>17,683,605,598.66</b>	<b>62,158,386.83</b>	<b>145,133,298.44</b>	<b>17,600,630,687.05</b>

### 8.14 Investment property

#### Investment property measured by cost

Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 30/6/2018
<b>Total original cost</b>	<b>2,011,463,951.29</b>	<b>37,089,619.31</b>	<b>10,663,732.59</b>	<b>2,037,889,838.01</b>
Including: Buildings	1,919,768,271.20	37,089,619.31	10,663,732.59	1,946,194,157.92
Land use rights	91,695,680.09			91,695,680.09
<b>Accumulated depreciation or amortization</b>	<b>966,516,312.00</b>	<b>25,387,407.79</b>	<b>6,201,427.49</b>	<b>985,702,292.30</b>
Including: Buildings	953,791,163.57	23,671,164.69	6,201,427.49	971,260,900.77
Land use rights	12,725,148.43	1,716,243.10		14,441,391.53
<b>Total net book value</b>	<b>1,044,947,639.29</b>	<b>—</b>	<b>—</b>	<b>1,052,187,545.71</b>
Including: Buildings	965,977,107.63	—	—	974,933,257.15
Land use rights	78,970,531.66	—	—	77,254,288.56

### 8.15 Fixed assets

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Fixed assets	45,466,672,322.25	47,003,172,316.80
Disposal of fixed assets	59,036,616.98	55,696,209.36
<b>Total</b>	<b>45,525,708,939.23</b>	<b>47,058,868,526.16</b>

#### 8.15.1 Movement of fixed assets

Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 30/6/2018
<b>Total Original value</b>	<b>81,515,568,449.64</b>	<b>809,182,601.22</b>	<b>1,192,103,056.85</b>	<b>81,132,647,994.01</b>
Including: Land	720,941,995.88	5,370.00		720,947,365.88
Buildings	42,262,647,991.90	240,036,056.66	601,536,888.65	41,901,147,159.91
Machinery & equipment	26,587,844,955.08	222,270,426.51	470,418,832.28	26,339,696,549.31
Transportation vehicles	8,180,384,308.35	268,699,048.71	79,710,876.40	8,369,372,480.66

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Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 30/6/2018
Electronic equipment	1,720,217,839.17	41,893,895.74	12,404,989.54	1,749,706,745.37
Office equipment	519,374,060.55	5,391,025.90	16,096,008.14	508,669,078.31
Others	1,522,767,877.37	30,119,510.44	11,574,895.24	1,541,312,492.57
<b>Accumulated depreciation</b>	<b>34,071,205,994.46</b>	<b>1,780,028,527.56</b>	<b>616,675,170.05</b>	<b>35,234,559,351.97</b>
Including: Land	—	—	—	—
Buildings	13,935,966,884.76	752,694,182.76	185,544,074.81	14,503,116,992.71
Machinery & equipment	15,397,610,460.26	739,902,949.28	348,769,566.55	15,788,743,842.99
transportation vehicles	2,405,801,529.56	162,668,282.46	47,706,931.81	2,520,762,880.21
Electronic equipment	1,030,180,056.03	70,535,065.56	11,247,828.17	1,089,467,293.42
Office equipment	357,728,203.23	13,457,749.87	13,379,551.45	357,806,401.65
Others	943,049,763.93	39,766,842.59	10,027,217.26	972,789,389.26
<b>Net book value</b>	<b>47,444,362,455.18</b>	<b>—</b>	<b>—</b>	<b>45,898,088,642.04</b>
Including: Land	720,941,995.88	—	—	720,947,365.88
Buildings	28,326,681,107.14	—	—	27,398,030,167.20
Machinery & equipment	11,190,234,494.82	—	—	10,550,952,706.32
transportation vehicles	5,774,582,778.79	—	—	5,848,609,600.45
Electronic equipment	690,037,783.14	—	—	660,239,451.95
Office equipment	161,645,857.32	—	—	150,862,676.66
Others	579,718,113.44	—	—	568,523,103.31
<b>provision for diminution in value</b>	<b>441,190,138.38</b>	<b>150,286.62</b>	<b>9,924,105.21</b>	<b>431,416,319.79</b>
Including: Land	—	—	—	—
Buildings	115,507,933.13	150,286.62	—	115,658,219.75
Machinery & equipment	49,402,166.89	—	7,816,966.54	41,585,200.35
transportation vehicles	274,906,313.29	—	2,107,138.67	272,799,174.62
Electronic equipment	503,067.49	—	—	503,067.49
Office equipment	—	—	—	—
Others	870,657.58	—	—	870,657.58
<b>Carrying amount</b>	<b>47,003,172,316.80</b>	<b>—</b>	<b>—</b>	<b>45,466,672,322.25</b>
Including: Land	720,941,995.88	—	—	720,947,365.88
Buildings	28,211,173,174.01	—	—	27,282,371,947.45
Machinery & equipment	11,140,832,327.93	—	—	10,509,367,505.97
transportation vehicles	5,499,676,465.50	—	—	5,575,810,425.83
Electronic equipment	689,534,715.65	—	—	659,736,384.46
Office equipment	161,645,857.32	—	—	150,862,676.66
Others	578,847,455.86	—	—	567,652,445.73



#### 8.15.2 Disposal of fixed assets

Item	Carrying amount as at 30/6/2018	Carrying amount as at 1/1/2018	Reason for disposal
Relocation losses in World Expo	11,818,175.44	11,818,175.44	Relocation compensation is not yet available
Buildings	39,321,781.37	39,321,781.37	Land storage and sale, etc.
Equipment	4,449,573.05	4,449,573.05	Scrap
Vehicles	91,316.11	91,316.11	Scrap
Others	3,355,771.01	15,363.39	Scrap
<b>Total</b>	<b>59,036,616.98</b>	<b>55,696,209.36</b>	—

#### 8.16 Construction in process

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Construction in process	12,741,981,824.90	12,586,452,312.58
Engineering materials	3,333,168.33	3,942,173.90
<b>Total</b>	<b>12,745,314,993.23</b>	<b>12,590,394,486.48</b>

Including: Details of construction in progress

Item	As at 30/6/2018			As at 1/1/2018		
	Book balance	provision for diminution in value	Book value	Book balance	provision for diminution in value	Book value
Hong Kong Leasing Transportation Tools	2,828,021,931.45	670,179,388.52	2,157,842,542.93	2,515,128,636.81	670,179,388.52	1,844,949,248.29
CSSC Changxing Shipbuilding base phase two engineering project	1,022,255,676.47		1,022,255,676.47	1,005,372,010.94		1,005,372,010.94
Phase two of Mitsui project (Mitsui)	211,152,873.18		211,152,873.18	177,807,034.56		177,807,034.56
Phase three of infrastructure engineering project investment (Waigaoqiao)	232,606,762.20		232,606,762.20	232,606,762.20		232,606,762.20
Raised investment project				80,316,686.72		80,316,686.72
No. 2639 Zu, Chongzhi Road	151,346,600.00		151,346,600.00	151,346,600.00		151,346,600.00
Project of supporting technology transformation of ships(Phase one)	162,846,710.95		162,846,710.95	161,128,442.92		161,128,442.92
Design research and development center construction project	910,964,777.71		910,964,777.71	846,913,317.36		846,913,317.36

Item	As at 30/6/2018			As at 1/1/2018		
	Book balance	provision for diminution in value	Book value	Book balance	provision for diminution in value	Book value
phase two of CSSC marine equipment electrical and mechanical industrial park	348,128,497.58		348,128,497.58	305,966,376.10		305,966,376.10
Phase one of high-end ship and Marine engineering products industrialization	237,628,171.73		237,628,171.73	239,372,648.01		239,372,648.01
Research and development platform	299,241,675.94		299,241,675.94	295,003,055.09		295,003,055.09
Other construction projects in progress	7,105,379,490.31	97,411,954.10	7,007,967,536.21	7,343,082,084.49	97,411,954.10	7,245,670,130.39
<b>Total</b>	<b>13,509,573,167.52</b>	<b>767,591,342.62</b>	<b>12,741,981,824.90</b>	<b>13,354,043,655.20</b>	<b>767,591,342.62</b>	<b>12,586,452,312.58</b>

#### 8.17 Intangible assets

Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 30/6/2018
<b>Total Original value</b>	<b>12,252,529,266.87</b>	<b>632,024,390.36</b>	<b>264,292,217.64</b>	<b>12,620,261,439.59</b>
Including: Software	867,228,446.57	101,455,688.22	21,964,425.04	946,719,709.75
Land use right	8,200,837,145.42	529,256,952.09	206,118,005.26	8,523,976,092.25
Patent right	470,930,924.99	610,532.10	4,559.77	471,536,897.32
Non-patented technology	2,092,052.59	701,217.95	6,000.00	2,787,270.54
Trademark rights	2,443,934.00			2,443,934.00
Copyright	24,970,489.36			24,970,489.36
Franchise rights	164,048,480.74			164,048,480.74
Lu Pu Bridge franchise	2,211,000,000.00			2,211,000,000.00
Coastline use right	149,528,311.80		30,515,982.00	119,012,329.80
Cofferdam filling	96,629,215.12			96,629,215.12
Others	62,820,266.28		5,683,245.57	57,137,020.71
<b>Accumulated amortization</b>	<b>3,567,155,386.02</b>	<b>206,606,610.85</b>	<b>158,303,858.52</b>	<b>3,615,458,138.35</b>
Including: Software	662,084,379.86	38,354,556.55	22,011,616.88	678,427,319.53
Land use right	1,353,739,798.64	97,040,082.04	99,715,681.67	1,351,064,199.01
Patent right	125,622,441.94	18,066,436.55		143,688,878.49
Non-patented technology	1,369,247.86	136,480.62		1,505,728.48
Trademark rights	36,376.49	999.95		37,376.44
Copyright	5,177,091.70	2,407,143.24		7,584,234.94

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Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 30/6/2018
rights Franchise	39,633,774.85	1,899,833.70		41,533,608.55
franchise Lu Pu Bridge	1,304,490,000.00	44,220,000.00		1,348,710,000.00
right Coastline use	30,515,982.00	2,034,398.80	31,024,581.70	1,525,799.10
filling Cofferdam	12,244,547.07	966,292.20		13,210,839.27
Others	32,241,745.61	1,480,387.20	5,551,978.27	28,170,154.54
<b>Provision for impairment of intangible assets</b>		<b>13,207.55</b>		<b>13,207.55</b>
Including: Software		13,207.55		13,207.55
Land use right				
Patent right				
Non-patented techonology				
rights Trademark				
Copyright				
Franchise				
rights Lu Pu Bridge				
franchise Coastline use				
right Cofferdam				
filling Others				
<b>Carrying amount</b>	<b>8,685,373,880.85</b>	<b>—</b>	<b>—</b>	<b>9,004,790,093.69</b>
Including: Software	205,144,066.71	—	—	268,279,182.67
Land use right	6,847,097,346.78	—	—	7,172,911,893.24
Patent right	345,308,483.05	—	—	327,848,018.83
Non-patented techonology	722,804.73	—	—	1,281,542.06
rights Trademark	2,407,557.51	—	—	2,406,557.56
Copyright	19,793,397.66	—	—	17,386,254.42
Franchise	124,414,705.89	—	—	122,514,872.19
rights Lu Pu Bridge	906,510,000.00	—	—	862,290,000.00
franchise Coastline use	119,012,329.80	—	—	117,486,530.70
right Cofferdam	84,384,668.05	—	—	83,418,375.85
filling Others	30,578,520.67	—	—	28,966,866.17

## 8.18 Goodwill

### 8.18.1 Carrying amount of goodwill

Name of invested entity or matters forming the goodwill	Balance as at 1/1/2018	Additions	Reductions	Balance as at 30/6/2018
Guangzhou wen chong dockyard Co., Ltd	144,231,195.67			144,231,195.67
Shanghai Zhong Rui General Aviation Co., Ltd	833,477.63			833,477.63
<b>Total</b>	<b>145,064,673.30</b>			<b>145,064,673.30</b>

Goodwill impairment test method: Guangzhou Wenchong shipyard Co., Ltd. (Primitive name was Chengxi (Guangzhou) shipyard co., ltd., hereinafter referred to as “Guangzhou shipyard”) used to be the cooperative enterprise of China CSSC Holdings Limited (Hereinafter referred to as “CSSC Holding”). Guangzhou shipyard took the control rights through increasing investment on 30 June 2012, and recognised the goodwill of RMB 161,301,195.67. Provision RMB 17,070,000.00 for impairment was accrued during 2014. Based on the assessment report (Hu dong zhou zi ping bao zi (2016) No.0934201) issued by Shanghai dongzhou asset appraisal Co., Ltd which evaluated 100% share equity of Guangzhou shipyard by the end of 31 May 2016, the value of the equity of Guangzhou shipyard was RMB 805,479,312.81, increased RMB 383,660,036.86. The Group made judgment that there is no significant change in business environment, thus there is no impairment of goodwill this term.

According to 《The reply on the agreement to merger and acquisition of Shanghai Skyway General Aviation through capital increase by Haifeng General Aviation》 (Chuan dian ke zi 【2014】 No.77), the third level entity Haifeng General Aviation Science and Technology Ltd acquired 51% stake of Shanghai Skyway General Aviation Company (Hereinafter referred to as Zhong Rui General) by increasing investment of RMB 13,000,000.00. Bank Credit Assets Appraisal Co., Ltd issued assessment report (Yin xin ping bao zi [2014] hu No.0048) on Mar. 28, 2013 taken December 31, 2013 as the appraisal base date. Based on the method of assessment report, the amount of capital of Zhong Rui General increased as at December 31, 2014 was RMB 742,001.84, book value of net assets of Zhong Rui General was RMB 23,855,926.23. RMB 833,477.63 as goodwill was recognized. The Group made judgment that there was no significant change in the business environment, and there is no impairment of goodwill this term.

### 8.19 Long-term deferred expenses

Item	Balance as at 1/1/2018	Additions	Amortization	Balance as at 30/6/2018	Other reasons for reduction
Sea route dredging up engineering project	43,625,393.68		642,516.24	42,982,877.44	
Longxue engineering and tooling	24,582,039.90		2,649,369.67	21,932,670.23	
Shipbreaking barge platform	22,968,799.20		1,044,036.36	21,924,762.84	
Lease expenditures on fixed assets	61,688,236.95	495,094.26	4,668,683.38	57,514,647.83	
Import fee for patent	15,493,840.54		830,027.16	14,663,813.38	
Renovation of fixed assets rented in	5,810,441.56	1,447,884.13	2,815,451.34	4,442,874.35	

Item	Balance as at 1/1/2018	Additions	Amortization	Balance as at 30/6/2018	Other reasons for reduction
Site reconstruction of shipbreaking	7,006,784.05		325,896.90	6,680,887.15	
Scaffolding amortization	3,532,092.41		311,655.18	3,220,437.23	
Plant improvement expenditure	4,025,959.59		535,005.04	3,490,954.55	
Renovation of practice workshop for technical school	4,763,889.51		73,982.29	4,689,907.22	
1025 imported technology design fee	4,253,039.47			4,253,039.47	
Road	2,126,984.33		-1,397,784.08	3,524,768.41	
Education building decoration at Kanghua Road	2,050,591.36		256,323.92	1,794,267.44	
Student dormitory renovation	2,183,964.74		36,334.56	2,147,630.18	
Others	16,710,164.66		-3,141,064.49	19,851,229.15	
<b>Total</b>	<b>220,822,221.95</b>	<b>1,942,978.39</b>	<b>9,650,433.47</b>	<b>213,114,766.87</b>	

## 8.20 Deferred tax assets and deferred tax liabilities

### Deferred tax assets and deferred tax liabilities before offsetting

Item	Balance as at 30/6/2018		Balance as at 1/1/2018	
	Deferred tax assets or liabilities	Deductable or taxable temporary differences	Deferred tax assets or liabilities	Deductable or taxable temporary differences
<b>Deferred tax assets:</b>				
Provisions for impairment of assets	925,116,423.52	5,099,624,946.39	941,213,943.38	5,242,963,462.70
Start-up costs	691,705.42	2,766,821.71	691,705.42	2,766,821.71
Deductible tax losses	513,851,161.49	2,673,867,628.60	475,013,884.76	2,378,178,959.34
Unrealized internal profit	319,744,890.41	1,278,979,561.64	341,738,226.09	1,613,671,363.01
Changes in fair value of available for sale financial assets			134,300,644.11	537,246,865.71
Provision	189,743,549.30	1,207,716,636.75	243,231,116.41	1,559,701,078.86
Long term employee pay payable	41,395,473.93	165,581,895.70	54,536,986.95	253,191,982.56
Accrued unfinished project	219,457,497.45	1,385,770,983.81	91,177,889.36	607,852,595.74
Investment real estate depreciation expense			28,640,315.76	114,561,263.04
Employee pay payable	53,849,189.41	332,235,616.26	40,080,782.03	242,969,017.76
Deferred income	24,032,520.93	153,844,249.83	23,214,860.73	151,536,109.08
Percentage taken	10,906,182.03	72,707,880.24	10,906,182.03	72,707,880.24
Fair value change in tradable financial assets	6,675,917.75	38,760,998.24	1,585,444.01	6,341,776.05
Assets assessment appreciation	1,223,275.17	8,155,167.78	1,250,356.41	8,182,249.02

Item	Balance as at 30/6/2018		Balance as at 1/1/2018	
	Deferred tax assets or liabilities	Deductable or taxable temporary differences	Deferred tax assets or liabilities	Deductable or taxable temporary differences
Time difference in long-term asset amortization	1,945,954.91	9,350,769.42		
Others	204,703,525.34	834,916,359.18	30,448,829.89	170,344,967.11
<b>Total</b>	<b>2,513,337,267.06</b>	<b>13,264,279,515.55</b>	<b>2,418,031,167.34</b>	<b>12,962,216,391.93</b>
<b>Deferred tax liabilities</b>				
Valuation of tradable financial instruments and derivative financial instruments	5,506,927.64	22,961,307.60	9,937,982.88	65,432,445.71
Fair value change of available-for-sale financial assets recorded in other comprehensive income	193,261,119.31	907,664,943.96	303,276,872.96	1,341,524,278.09
Value increased due to appraisal	52,582,140.30	513,069,090.24	52,582,140.30	513,069,090.24
Tax saving from condolidation	29,261,681.83	117,046,727.32	29,261,681.83	117,046,727.32
Others	4,183,883.72	17,385,339.58	5,039,305.58	2,604,441.21
<b>Total</b>	<b>284,795,752.80</b>	<b>1,578,127,408.70</b>	<b>400,097,983.55</b>	<b>2,039,676,982.57</b>

#### 8.21 Other non-current assets

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Marine engineering production	1,740,470,807.72	3,477,699,736.01
Long term entrusted loans	592,564,821.33	597,115,070.77
Relocation expenditure	2,894,563.48	199,020,072.23
Relocating money for housing		164,914,042.00
Land use expense		103,509,920.64
Prepaid for equipment	68,700,177.52	97,621,760.07
Entrust financial management, trust funds	809,882,082.19	80,000,000.00
Net assets to be witten off	73,639,237.84	77,082,179.30
Chongming Island relocation project	15,130,000.00	15,130,000.00
Dock transfer of East China Sea Shipyard Factory	12,090,430.22	12,090,430.22
Escrow assets	6,922,821.47	6,922,821.47
State-owned fixed assets for disposal	4,463,487.98	4,463,487.98
Others	171,926,563.30	75,735,408.29
Reversal of construction in progress	97,621,760.03	
Project BOD	1,932,407,908.45	
<b>Total</b>	<b>5,528,714,661.53</b>	<b>4,911,304,928.98</b>

## 8.22 Short-term loans

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Pledge loans	277,800,000.00	1,136,680,475.00
Secured loans	30,000,000.00	126,088,589.65
Guarantee loans	2,458,169,941.14	613,325,750.00
Loans on credit	7,226,298,864.88	5,190,133,532.61
<b>Total</b>	<b>9,992,268,806.02</b>	<b>7,066,228,347.26</b>

## 8.23 Deposits from banks and other financial institutions

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Demand deposits	95,501,409.17	97,069,524.36
Fixed term deposits (Including notice deposits)		621,951,900.00
<b>Total</b>	<b>95,501,409.17</b>	<b>719,021,424.36</b>

## 8.24 Financial liabilities measured by fair value and whose changes will be recorded in current profit and loss

Item	Fair value as at 30/6/2018	Fair value as at 1/1/2018
Designated financial liabilities measured by fair value and whose changes will be recorded in current profit and loss	235,932,278.32	3,366,294.31

Note: the financial assets of the Group that are measured at fair value and whose changes are included in the profits and losses of the year are all forward exchange contracts. On the day of measurement, one of 3 banks unadjusted open quotations obtained is chosen as the input value according to the principle of prudence, and the benchmark lending rate of the people's Bank of the corresponding period is as the discount rate. The fair value is determined according to the following formula:

If it is a forward settlement of foreign exchange contract, the highest quotation is chosen as the input value. Fair value = delivery amount \* (contract exchange rate - quoted exchange rate) ÷ number of years of discount rate

If it is a forward purchase of foreign exchange contracts, the lowest quoted rate is chosen as the input value. Fair value = delivery amount \* (contract exchange rate - quoted exchange rate) ÷ number of years of discount rate

If the calculated fair value is positive, the value is reported in the term "financial asset that is measured at the fair value and its changes are included in the profit and loss of the year"; if the calculated fair value is negative, the value is reported in the term "the financial liabilities measured at the fair value and its change into the profit and loss of the year."



## 8.25 Notes payable and Accounts payable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Notes payable	6,868,770,319.68	7,955,971,403.13
Accounts payable	40,223,223,022.45	35,941,950,008.18
<b>Total</b>	<b>47,091,993,342.13</b>	<b>43,897,921,411.31</b>

### 8.25.1 Notes payable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Commercial acceptance notes	1,298,295,076.93	3,105,235,087.90
Bank acceptance notes	5,570,475,242.75	4,850,736,315.23
<b>Total</b>	<b>6,868,770,319.68</b>	<b>7,955,971,403.13</b>

### 8.25.2 Accounts payable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Within 1 year (Including 1 year)	31,965,264,640.82	28,513,510,709.61
1-2 years (Including 2 years)	5,332,494,412.94	4,376,112,159.60
2-3 years (Including 3 years)	1,948,085,663.68	1,572,624,156.06
Over 3 years	977,378,305.01	1,479,702,982.91
<b>Total</b>	<b>40,223,223,022.45</b>	<b>35,941,950,008.18</b>

## 8.26 Advances from customers

Aging	Balance as at 30/6/2018	Balance as at 1/1/2018
Within 1 year(including 1 year)	4,396,244,325.98	7,171,619,422.63
More than 1 year	8,043,246,384.79	7,670,232,184.16
<b>Total</b>	<b>12,439,490,710.77</b>	<b>14,841,851,606.79</b>

## 8.27 Employee pay payable

### Movements of employee pay payable

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 30/6/2018
Short-term employee benefits	913,880,651.35	5,409,370,485.73	5,193,526,158.48	1,129,724,978.60
Post-employment benefits—defined contribution plans	52,751,360.97	589,390,817.88	588,708,387.74	53,433,791.11
Termination benefits	82,096,957.89	7,723,393.56	40,789,942.26	49,030,409.19
Other benefits due within one year		672,997.76	485,119.77	187,877.99
Others	12,926,952.27	7,152,271.37	3,869,879.94	16,209,343.70
<b>Total</b>	<b>1,061,655,922.48</b>	<b>6,014,309,966.30</b>	<b>5,827,379,488.19</b>	<b>1,248,586,400.59</b>

#### 8.28 Taxes and surcharges payable

Category	Balance as at 1/1/2018	Payable in this term	Payment in this term	Balance as at 30/6/2018
Value added tax	275,171,823.52	516,064,513.98	781,800,762.04	9,435,575.46
Consumption tax		15,682.03	15,682.03	
Resource tax		803,983.61	803,970.41	13.20
Enterprise income tax	371,997,337.93	335,251,880.32	484,262,816.68	222,986,401.57
Urban maintenance and construction tax	16,422,173.56	44,574,146.98	54,090,495.42	6,905,825.12
Estate tax	39,991,398.55	69,241,316.73	85,791,661.87	23,441,053.41
Land use tax	27,941,956.57	28,734,803.12	45,915,093.71	10,761,665.98
Individual income tax	167,968,849.62	173,409,719.94	312,150,223.60	29,228,345.96
Educational surtax	16,408,373.68	37,267,601.39	47,665,586.20	6,010,388.87
Other taxes and surcharges	73,114,104.10	49,708,950.28	63,208,024.79	59,615,029.59
<b>Total</b>	<b>989,016,017.53</b>	<b>1,255,072,598.38</b>	<b>1,875,704,316.75</b>	<b>368,384,299.16</b>

#### 8.29 Other payables

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Interest payable	895,021,081.81	611,860,245.80
Dividends payable	140,036,688.24	131,134,224.68
Other payables	3,351,515,635.84	4,008,834,451.35
<b>Total</b>	<b>4,386,573,405.89</b>	<b>4,751,828,921.83</b>

##### 8.29.1 Interest payable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Interest paid periodically on long-term loan	237,212,302.85	169,862,565.86
Interest on corporate bonds	631,158,430.37	412,731,902.58
Interest payable on short-term loan	17,526,170.35	15,836,399.18
Other interest	9,124,178.24	13,429,378.18
<b>Total</b>	<b>895,021,081.81</b>	<b>611,860,245.80</b>

##### 8.29.2 Dividends payable

Company name	Balance as at 30/6/2018	Balance as at 1/1/2018	Unpaid reason for over 1 year
Dividends for common shares	306,030.10	383,540.92	
China State Shipbuilding Corporation	123,497,577.34	123,497,577.34	Problem left over by history
Dividends for minority shareholders	16,233,080.80	7,253,106.42	
<b>Total</b>	<b>140,036,688.24</b>	<b>131,134,224.68</b>	

### 8.29.3 Classification of other payables by nature

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Temporary receipts payable	1,105,778,610.75	1,374,290,461.75
Deposit	694,523,988.32	549,556,056.69
Loans from shareholders	720,316,349.70	437,084,190.28
Floating stock investment funds		376,816,522.00
Share transfer payment	5,867,880.55	370,110,023.60
Payment for unfinished engineering projects	190,036,124.42	220,482,387.89
Land use fee of Changxing construction	172,071,229.86	172,071,229.86
Provisional infrastructure construction projects payment	51,863,515.30	125,609,310.92
Patent royalties	89,509,908.27	112,420,615.44
Profits payable to the national treasury	59,789,762.68	59,789,762.68
Year-end bonus of sub-contractors	23,874,003.48	42,130,000.00
Maintenance fund	46,999,851.22	40,024,359.38
Deposit	67,721,643.09	34,836,054.74
Temporary land loans returned by the government	29,100,000.00	29,100,000.00
Other prize of science and technology, etc	52,172,301.62	24,524,189.00
Living expenses of personnel delegated	19,222,502.00	20,948,452.00
Historical provisional collection (CSSG General Corporation)	15,350,155.56	11,723,026.10
Financial compensation of the shunt of main and auxiliary industries	7,317,809.02	7,317,809.02
<b>Total</b>	<b>3,351,515,635.84</b>	<b>4,008,834,451.35</b>

### 8.30 Non-current liabilities due within one year

Category	Balance as at 30/6/2018	Balance as at 1/1/2018
Long-term loans due within one year	15,094,186,376.09	14,018,856,364.68
Long-term bonds due within one year		3,980,819,275.68
Long-term payables due within one year	27,873,441.96	22,138,869.79
<b>Total</b>	<b>15,122,059,818.05</b>	<b>18,021,814,510.15</b>

### 8.31 Other current liabilities

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Engineering settlement	37,394,790,830.30	34,196,630,678.83
Hedged items	68,295,499.09	125,257,255.23
Pending changeover output tax	93,966,180.04	89,091,447.68
Commercial acceptance endorsed but not matured		79,659,400.00
Public maintenance fund for housing reform		51,715,386.83

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Deferred income	910,049.38	9,222,916.77
Accrued expense	13,747,122.55	10,760,731.58
<b>Total</b>	<b>37,571,709,681.36</b>	<b>34,562,337,816.92</b>

### 8.32 Long-term loans

Category	Balance as at 30/6/2018	Balance as at 1/1/2018
Pledge loans	564,000,000.00	649,000,000.00
Secured loans	289,380,478.97	153,035,121.42
Guarantee loans	29,035,100,943.16	27,243,932,756.50
Loans on credit	17,371,311,495.60	22,267,865,431.15
Subtract: Long-term liabilities to be matured and payable within a year	15,094,186,376.09	14,018,856,364.68
<b>Total</b>	<b>32,165,606,541.64</b>	<b>36,294,976,944.39</b>

### 8.33 Bonds payable

#### Movement of bonds payable

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
2012 1 <sup>st</sup> phase MTN	5,969,348,000.00	5,965,141,500.00
2012 2 <sup>nd</sup> phase MTN	5,990,067,381.02	5,985,483,095.30
2012 3 <sup>th</sup> phase MTN	4,473,182,500.00	4,470,027,500.00
2016 1 <sup>st</sup> phase Corporate bonds (Category 1)	1,500,000,000.00	1,500,000,000.00
2016 1 <sup>st</sup> phase Corporate bonds (Category 2)	5,500,000,000.00	5,500,000,000.00
2017 1 <sup>st</sup> phase Corporate bonds (Category 1)	1,100,000,000.00	1,100,000,000.00
2017 1 <sup>st</sup> phase Corporate bonds (Category 2)	900,000,000.00	900,000,000.00
<b>Total</b>	<b>25,432,597,881.02</b>	<b>25,420,652,095.30</b>

### 8.34 Long-term payables

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Long-term payables	6,430,663,363.88	6,442,081,691.27
Specific payables	2,012,032,497.57	1,560,047,061.69
Long-term employee pay payable	725,437,149.32	750,397,395.84
<b>Total</b>	<b>9,168,133,010.77</b>	<b>8,752,526,148.8</b>

#### 8.34.1 Long-term payables

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
<b>Total</b>	<b>6,430,663,363.88</b>	<b>6,442,081,691.27</b>

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Including:		
Loans from shareholder of Tianjing Jianxin	6,250,000,000.00	6,250,000,000.00
China Shipbuilding Industry Corporation	87,002,295.04	88,342,290.76
Shanghai Golden State Kongshun Leasing Co. Ltd.	35,139,650.38	30,952,009.87
Wuhan Optics Valley Finance Leasing Co., Ltd.	19,353,328.09	17,143,345.59
Shandong Huaxing Textile Group Co., Ltd.	16,300,000.00	16,300,000.00

#### 8.34.2 Specific payables

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 30/6/2018
<b>Total</b>	<b>1,560,047,061.69</b>	<b>601,078,926.58</b>	<b>149,093,490.70</b>	<b>2,012,032,497.57</b>
Including: National fund for Phase I of Longxue Civil Shipbuilding	400,000,000.00			400,000,000.00
R&D platform project	388,000,000.00	47,500,000.00		435,500,000.00
B104/Water Surface XX R&D Platform and XX System Research Platform Construction Project	224,800,000.00	-	-	224,800,000.00
Comprehensive technical transformation project	207,000,000.00	-	-	207,000,000.00
Others	190,601,000.00			190,601,000.00

#### 8.34.3 Long-term employee pay payable

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 30/6/2018
Post -employment benefits—defined benefits plans	312,547,637.50	4,346,786.88	22,079,851.09	294,814,573.29
Termination benefits	419,962,922.30	177,924.41	7,122,405.93	413,018,440.78
Other long-term benefits	17,886,836.04	230,795.51	513,496.30	17,604,135.25
<b>Total</b>	<b>750,397,395.84</b>	<b>4,755,506.80</b>	<b>29,715,753.32</b>	<b>725,437,149.32</b>

#### 8.35 Provisions

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Pending litigation	29,429,369.38	97,321,320.73
Warranties for product quality	1,920,802,062.18	1,855,142,498.69
Loss of contracts to be performed	2,050,879,704.46	2,708,285,912.34
Others	45,664,317.34	47,295,319.49
<b>Total</b>	<b>4,046,775,453.36</b>	<b>4,708,045,051.25</b>

### 8.36 Deferred income

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 30/6/2018
National financial subsidy projects	239,407,395.11	250,044,106.44	163,748,578.97	325,702,922.58
Local financial subsidy projects	499,915,062.11	79,179,509.78	51,086,925.89	528,007,646.00
Research funds subsidy projects	237,051,988.14	583,887,347.25	219,107,799.93	601,831,535.46
Relocation compensation	179,184,780.13	23,076.92	5,534,489.11	173,673,367.94
<b>Total</b>	<b>1,155,559,225.49</b>	<b>913,134,040.39</b>	<b>439,477,793.90</b>	<b>1,629,215,471.98</b>

### 8.37 Other non-current liabilities

Item	Balance as at 30/6/2018	Balance as at 1/1/2018
Project of BOD	768,872,664.70	767,575,327.50
Project of debt-to-equity swap of China Huarong Asset Management Co., Ltd	31,410,000.00	31,410,000.00
Exchange gain or loss to be written-off	12,283,576.50	12,283,576.50
Provisional assessment value of the restructuring of the Installation Company	8,452,848.29	8,452,848.29
The general contracting reform of Jiangnan Shipyard pending to be processed, will be written-off after the approval of the SASAC	5,644,759.76	5,644,759.76
Other liabilities	1,072,008.29	1,072,008.29
<b>Total</b>	<b>827,735,857.54</b>	<b>826,438,520.34</b>

### 8.38 Paid-up capital

Name of investor	Balance as at 1/1/2018		Increase	Decrease	Balance as at 30/6/2018	
	Investment amount	PCT%			Investment amount	PCT%
<b>Total</b>	<b>32,000,000,000.00</b>	<b>100.00%</b>			<b>32,000,000,000.00</b>	<b>100.00%</b>
National capital	32,000,000,000.00	100.00%			32,000,000,000.00	100.00%

### 8.39 Capital reserve

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 30/6/2018
Capital (Share) premium	909,805,284.06	1,783,256,090.16		2,693,061,374.22
Other capital reserves	9,020,753,455.30			9,020,753,455.30
Including: Other equity change of the invested entity	475,522,245.79			475,522,245.79
Others	8,545,231,209.51			8,545,231,209.51
Capital reserve transferred in from the previous system	1,400,172,076.83			1,400,172,076.83
<b>Total</b>	<b>11,330,730,816.19</b>	<b>1,783,256,090.16</b>		<b>13,113,986,906.35</b>

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 30/6/2018
Including: Exclusively state-owned capital reserve	909,805,284.06	1,783,256,090.16		2,693,061,374.22

Note: 1. The "capital premium" increased by 1,783,256,090.16 yuan in the current period, including:

- (1) The Company's subsidiaries, Guangzhou Shipyard International Co., Ltd. and CSSC Huangpu Wenchong Ship Co., Ltd., due to the increase in share capital of minority shareholders, increased the capital reserve by RMB 721,638,882.94;
- (2) Subsidiaries of the Company, Shanghai Waigaoqiao Shipbuilding Co., Ltd. and CSSC Chengxi Shipbuilding Co., Ltd., due to the increase in share capital of minority shareholders, increased the capital reserve by RMB 1,035,118,647.13;
- (3) The changes in various funds accounted for by subordinate public institutions increased the capital reserve by RMB 26,498,560.09.

#### 8.40 Special reserve

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 30/6/2018	Remark
Safety costs	87,544,964.05	71,786,690.32	69,098,234.95	90,233,419.42	

Note: Except for the above-mentioned disclosure of special reserves attributable to the parent company, the minority shareholding amount is RMB 65,084,060.57.

#### 8.41 Surplus reserve

Item	Balance as at 1/1/2018	Increase	Decrease	Balance as at 30/6/2018
Statutory surplus	2,704,887,206.48			2,704,887,206.48

#### 8.42 Undistributed profits

Item	The current amount	Last term amount
Balance as at 1/1/2018	22,135,783,451.17	19,671,940,472.84
Additions	514,713,595.68	3,056,741,045.18
Including: Net profit attributable to the Company during the year	514,713,595.68	2,506,337,973.12
Other adjustments		550,403,072.06
Reductions		592,898,066.85
Including: Appropriation of surplus reserve		374,747,366.85
Appropriation of general risk reserve		
Cash dividend distributed		218,150,700.00
Common share dividends converted to share capital		
Other deductions		
Balance as at 30/6/2018	22,650,497,046.85	22,135,783,451.17



### 8.43 Total operating income and total operating cost

#### 8.43.1 Operating income and operating cost

Item	Term ended 30/6/2018		Year ended 31/12/2017	
	Income	Cost	Income	Cost
Primary operating business	70,562,034,402.32	66,317,305,082.45	103,416,887,783.98	98,464,782,134.81
Other operating business	418,254,212.01	187,456,230.92	324,126,578.15	173,259,677.88
<b>Total</b>	<b>70,980,288,614.33</b>	<b>66,504,761,313.37</b>	<b>103,741,014,362.13</b>	<b>98,638,041,812.69</b>

#### 8.43.2 Net interest income

Item	Term ended 30/6/2018	Year ended 31/12/2017
Interest income	421,999,199.26	392,545,341.73
Interest expenses	1,313,003.34	3,550,220.50
Net interest income	420,686,195.92	388,995,121.23

#### 8.43.3 Fee and commission income

Item	Term ended 30/6/2018	Year ended 31/12/2017
Fee and commission income	64,749,449.31	45,693,988.38
Fee and commission expenses	1,988,552.36	2,536,298.18
Net fee and commission income	62,760,896.95	43,157,690.20

### 8.44 Selling expenses

Item	Term ended 30/6/2018	Year ended 31/12/2017
Employee benefits	173,501,296.85	177,395,627.67
Ship warranty	184,077,223.43	327,311,003.55
Commission	44,671,438.73	10,524,716.41
Freight cost	25,559,012.95	24,092,107.52
Business expenses	11,798,620.06	13,038,678.97
Exhibition fee	6,756,516.18	4,378,374.54
Advertising fee	4,650,804.74	4,587,691.51
Rental fee	1,770,300.53	1,479,375.75
Travel expenses	17,645,549.49	22,477,293.92
Insurance premium	411,421.64	401,791.14
Depreciation expense	1,678,192.28	1,772,402.46
Packing expenses	1,153,555.27	695,334.63
Others	100,921,991.74	55,950,568.21
<b>Total</b>	<b>574,595,923.89</b>	<b>644,104,966.28</b>

#### 8.45 Administration expenses

Item	Term ended 30/6/2018	Year ended 31/12/2017
Employee benefits	1,398,505,172.64	1,312,792,831.28
Repair cost	233,747,955.75	260,487,623.64
Depreciation expense	226,716,583.14	221,532,688.05
Amortization of intangible assets	138,947,032.06	125,812,438.21
Office expenses	34,388,324.26	37,131,681.32
Travel expenses	36,269,621.90	38,935,245.49
Business entertainment expenses	33,617,756.52	38,411,097.04
Litigation fee	9,059,673.43	6,537,431.84
Insurance premium	24,181,004.98	23,693,458.15
Hiring intermediary agency fee	19,107,009.38	14,899,476.77
Consulting fees	16,748,660.40	18,779,833.48
Sewage charges	40,360,869.63	22,351,406.26
Rental fee	83,871,922.40	101,256,874.46
borrowed labor expenses	58,479,650.57	73,853,088.17
Logistic service charge	18,157,782.44	21,085,133.01
Utility fee	52,022,708.76	52,469,713.22
Fire protection and safety activities fees for security guards	34,743,971.63	41,147,010.77
Board of directors	3,098,216.40	2,056,824.26
Others	404,838,118.02	571,327,862.65
<b>Total</b>	<b>2,866,862,034.31</b>	<b>2,984,561,718.07</b>

#### 8.46 Finance expenses

Item	Term ended 30/6/2018	Year ended 31/12/2017
Interest expenses	1,214,871,515.68	1,510,412,906.59
Subtract: interest income	340,609,338.23	395,671,805.75
Plus: Losses from foreign exchange	108,680,024.68	907,342,232.90
Plus: Others	57,560,988.00	33,745,596.48
<b>Total</b>	<b>1,040,503,190.13</b>	<b>2,055,828,930.22</b>

#### 8.47 Impairment on assets

Item	Term ended 30/6/2018	Year ended 31/12/2017
Allowance for doubtful debts	-244,883,787.29	185,833,776.41
Provision for diminution in value of inventory	652,961,572.19	540,468,810.57
Impairment loss on available-for-sale financial assets	-102,003,194.48	30,993,000.00

Item	Term ended 30/6/2018	Year ended 31/12/2017
Impairment loss on fixed assets	150,286.62	230,772.46
Impairment loss on intangible assets	13,207.55	
Other impairment losses	-4,124,007.04	15,607,439.93
<b>Total</b>	<b>302,114,077.55</b>	<b>773,133,799.37</b>

#### 8.48 Other income

Item	Category	Term ended 30/6/2018	Year ended 31/12/2017
National financial subsidy projects	Income related	38,752,368.18	28,192,847.58
Local financial subsidy projects	Income related	188,738,410.81	118,302,864.44
Research funds subsidy projects	Income related	158,287,904.45	106,433,670.24
<b>Total</b>		<b>385,778,683.44</b>	<b>252,929,382.26</b>

#### 8.49 Investment income

Source of gains/(losses)	Term ended 30/6/2018	Year ended 31/12/2017
Gain/(Loss) from long-term equity investments in equity method	-28,723,059.07	2,402,857,940.28
Gain/(Loss) on disposal of long term equity investment	48,986,602.74	315,087,142.68
Gain/(Loss) from financial assets measured at fair value through profit and loss for the current period	104,645,128.34	14,049,229.75
Gain/(Loss) on disposal of financial assets measured at fair value through profit or loss for the current period	92,048,610.05	-3,098,752.67
Gain/(Loss) on held-to-maturity financial assets during the holding period	43,453,654.58	75,598,048.55
Gains on entrusting investments during the holding period	21,386,654.62	27,850,548.34
Gains on available-for-sale financial assets during the holding period	205,732,375.46	345,392,565.45
Gains on disposal of available-for-sale financial assets	23,182,599.81	-1,115,801.89
Others	13,532,678.05	29,305,222.72
<b>Total</b>	<b>524,245,244.58</b>	<b>3,205,926,143.21</b>

#### 8.50 Gain from fair value changes

Source of gains/(losses) from changes in fair value	Term ended 30/6/2018	Year ended 31/12/2017
Financial assets measured at fair value through profit or loss for the current period	20,367,381.80	198,298,487.08
Financial liabilities measured at fair value through profit or loss for the current period	-232,565,984.01	98,601,196.22
<b>Total</b>	<b>-212,198,602.21</b>	<b>296,899,683.30</b>

#### 8.51 Non-operating income

Item	Term ended 30/6/2018	Year ended 31/12/2017	Amount to be included in non-recurring gain or loss for the year
Gains on liquidation of fixed assets	2,712,633.25	13,611,999.87	2,712,633.25

Item	Term ended 30/6/2018	Year ended 31/12/2017	Amount to be included in non-recurring gain or loss for the year
Gains on debt restructuring	68,079.81	7,215.00	68,079.81
Government subsidies	50,817,109.58	117,313,481.84	50,817,109.58
Donation	337,735.86	5,715.00	337,735.86
Relocation compensation income	1,404,022,770.26		1,404,022,770.26
Appropriated funds	12,150,801.62	36,039,535.00	12,150,801.62
Liquidated damages	8,283,616.18	405,933.36	8,283,616.18
historical arrears to home office from Shenzhou real estate	5,000,000.00		5,000,000.00
Tax refund	3,772,598.81	4,274,717.81	3,772,598.81
Scientific research	2,239,200.00	1,388,800.00	2,239,200.00
Rental housing demolition subsidy	1,600,694.29		1,600,694.29
Insurance claims	1,147,873.80	274,367.65	1,147,873.80
Penalty Incomes	742,055.71	2,495,148.27	742,055.71
Others	30,205,912.44	53,581,634.78	30,205,912.44
Compensation of the ship contracts cancelled		98,555,359.05	
Relocation income		57,000,000.00	
Land expropriation compensation		4,826,414.14	
<b>Total</b>	<b>1,523,101,081.61</b>	<b>389,780,321.77</b>	<b>1,523,101,081.61</b>

#### 8.52 Non-operating expenses

Item	Term ended 30/6/2018	Year ended 31/12/2017	Amount to be included in non-recurring gain or loss for the year
Losses on liquidation of fixed assets	8,960,434.90	4,564,343.73	8,960,434.90
Donation	133,518.00	299,865.00	133,518.00
Losses on KC project	56,730,535.50		56,730,535.50
Losses on onerous contract	34,530,457.50		34,530,457.50
Losses on scrapping of inventory	8,576,311.94		8,576,311.94
Losses on penalty	1,371,503.32	750,486.15	1,371,503.32
Others	6,549,716.65	7,528,120.15	6,549,716.65
<b>Total</b>	<b>116,852,477.81</b>	<b>13,142,815.03</b>	<b>116,852,477.81</b>

### 8.53 Income tax expenses

#### Details of income tax expenses

Item	Term ended 30/6/2018	Year ended 31/12/2017
Current income tax expense calculated according to tax laws	341,307,969.95	360,475,818.25
Deferred income tax	-40,086,517.34	149,473,913.47
Others	198,217.66	-4,794,663.53
<b>Total</b>	<b>301,419,670.27</b>	<b>505,155,068.19</b>

### 8.54 Other comprehensive income

#### 8.54.1 Other comprehensive income Items, income tax impact and profit and loss caused

Item	Term ended 30/6/2018	Year ended 31/12/2017
<b>Net after-tax amount of other comprehensive income attributable to parent company</b>	<b>-762,074,337.69</b>	<b>-156,419,779.46</b>
Comprehensive income to be reclassified as profit or loss	-762,074,337.69	-156,419,779.46
Including:		
1) Gain or loss from available-for-sale financial assets	-733,724,776.88	-107,129,243.94
Subtract: Impact of income tax on available-for-sale financial assets	-114,244,241.65	-22,706,429.41
Net amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year	-43,620,167.17	-778,641.03
Subtotal	-575,860,368.06	-83,644,173.50
2) Other comprehensive income entitled in the invested company to be accounted under the equity method	-3,555,369.24	-1,636,521.07
Subtract: Impact of income tax on other comprehensive income entitled in the invested company to be accounted under the equity method		
Net amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year		
Subtotal	-3,555,369.24	-1,636,521.07
3) Translation difference of foreign currency financial statements	-182,658,600.39	-71,139,084.89
Subtract: Net amount transferred into profits and losses on disposal of overseas operations during the current period		
Subtotal	-182,658,600.39	-71,139,084.89
<b>Net after-tax amount of other comprehensive income attributable to minority share-holders</b>	<b>-57,134,782.62</b>	<b>-10,458,998.56</b>
<b>Total</b>	<b>-819,209,120.31</b>	<b>-166,878,778.02</b>

#### 8.54.2 Details of adjustments on each item of other comprehensive income

Item	Year ended 31/12/2017	Increase or decrease	Term ended 30/6/2018
Changes in net assets or net liabilities from remeasurement of defined benefit plans	-78,045,528.32		-78,045,528.32
Other comprehensive income entitled in the invested	177,983,574.80	-3,555,369.24	174,428,205.56

Item	Year ended 31/12/2017	Increase or decrease	Term ended 30/6/2018
company to be reclassified in profit or loss under the equity method			
Changes in fair value of available-for-sale financial assets	524,939,083.46	-575,860,368.06	-50,921,284.60
Translation difference of foreign currency financial statements	-108,598,957.49	-182,658,600.39	-291,257,557.88
Others	-6,944,852.27		-6,944,852.27
<b>Total</b>	<b>509,333,320.18</b>	<b>-762,074,337.69</b>	<b>-252,741,017.51</b>

#### 8.55 Assets restricted by ownership or right to use

Item	Carrying amount as at 30/6/20X8	Restriction reason
Monetary funds	5,589,498,161.55	Pledge for borrowing, L/G/Note/L/C/Forward settlement margin, Time deposits over three months, Special funds for housing of employees
Notes receivable	920,961,556.21	Bank acceptance deposits
Inventories	225,172,694.09	Economic dispute case, sealed up by court
Fixed assets	92,217,369.83	Mortgage for borrowing, Mortgage for bank credit line, Property preservation
Intangible assets	873,103,931.34	Pledge for borrowing
Total	75,269,915.00	Deposit and loan portfolio financial deposit, Pledge of receivables for borrowing
<b>Total</b>	<b>7,776,223,628.02</b>	—

## 9. Contingencies

### 9.1 Guaranties provided by the Group as at the end of the term

Warrantor	Warrantee	Type of guaranty	Amount of guaranty
Haiying Enterprise Group Co., Ltd.	Wuxi Binhu District Urban Investment Development Co., Ltd	Joint liability guarantee	482,000,000.00
Jiulong Logistics Co., Ltd.	Jiangyin Luocheng Metal Materials Co., Ltd.	Joint liability guarantee	3,000,000.00
Jiulong Logistics Co., Ltd.	Jiangyin Honghao Metal Material Co., Ltd.	Joint liability guarantee	2,000,000.00
Jiulong Logistics Co., Ltd.	Jiangsu Gen Gu iron and Steel Co., Ltd.	Joint liability guarantee	2,000,000.00
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	Shanghai Huarun East Ship Engineering Co., Ltd	Joint liability guarantee	831,668,000.00
<b>Total</b>	—	—	<b>1,320,668,000.00</b>

### 9.2 Contingent liabilities caused by main lawsuits and arbitration items of the group

As of June 30, 2018, main lawsuits and arbitration items of the Group are totally 20 items, as following:

#### 9.2.1 Lawsuit of Jiangxing Real Estate Co., Ltd. suing the People's Government of Changxing town defaulted the house repurchasing money

In November 2009, a subsidiary of the Group, Shanghai Jiangxing Real Estate Co., Ltd. (hereinafter referred to as Jiangxing Real Estate) obtained the development and operation right of the second

phase of supporting commercial housing construction projects(Jiangnan riverside garden) in Changxing Town, Chongming County through the public tender. Because the plan adjusted, construction standards improved and building insulation materials changed, the costs of construction increased and the project was delayed. In March 2011, The People's Government of Changxing Town, as the actual performing party, replied to Jiangxing Real Estate in form of Mayor's administration meeting summary, in which the People's Government of Changxing Town would make up the difference to Jiangxing Real Estate in accordance with international and Shanghai administrative regulations.

On 31 August 2011, the two sides signed 'Ancillary Commercial Housing Supply Contract', which stated that Jiangxing Real Estate offered 1626 sets of ancillary commercial housing of phase two (Jiangnan Binjiangyuan) residence community it constructed in Changxing town. The total covered area is 139,460 square meters (should be proved by the actual area), and the total amount is RMB 467,191,000. After several communications, the two sides failed to reach the consensus with regards to the aforementioned amount declared in the Mayor's administration meeting summary.

As at January 24, 2014, the People's Government of Changxing Town owed RMB79,714,465.24 to Jiangxing Real Estate. As negotiations failed, in January 2015, Jiangxing Real Estate filed a lawsuit, required the People's Government of Changxing Town to pay the repurchase principal of 79,714,465.24 yuan, the interest of paymet in progress of 19,040,515.00 yuan, on-site downtime loss of 4,090,920.00 yuan and overdue payment interest of 17,123,201.00 yuan, which is 119,969,101.24 yuan in total.

On 15 November 2017, Shanghai Chongming People's Court made the first-instance verdict ((2015) Chong Min Yi (Min) Chu Zi No. 629), and requested that the People's Government of Changxing town should pay the house purchasing money of 9,714,905 yuan , the increased design costs of 2,173,404 yuan, the increased costs with regards to improved standards of 13,423,166.7 yuan, labour and material costs to make up the difference of 20,520,082.36 yuan, the downtime loss of 2,332,417.53 yuan and its interests of 16,773,157.61yuan .

On 19 November 2017, Jiangxing Real Estate was not satisfied with the aforementioned ruling results and appealed.

#### 9.2.2 Dispute case of aromatic hydrocarbon procurement of Logistics Guangzhou

In February 2014, the subsidiary of the group, CSSC Industrial (Guangzhou) Complete Logistics Co., Ltd (hereinafter referred to as Guangzhou Company) signed "Cargo storage tripartite agreemen" with Jinming oil depot and Guang Wu investment, agreed that the Guangzhou Company stored the



cargo delivered by Guang Wu investment in Yu Jinming oil depot, and picked up goods by oil delivery notice issued by Jinming oil depot. After signing the warehousing agreement, the Guangzhou Company stores the mixed aromatics delivered by Guang Wu investment in the Jin Ming oil depot. In July 2014, when the Guangzhou Company held the oil delivery notice to the Jinming oil depot, the Jinming oil depot refused to deliver to the Guangzhou Company, involving a total of 34,055.13 tons of mixed aromatics. In September 5, 2014, the Guangzhou Company filed a lawsuit against the maritime court, requiring the court to confirm that 34,055.13 tons of aromatics were owned by the Guangzhou Company. The Jinming oil depot should delivered 34055.132 tons of aromatics and compensate for loss of the price difference. During the first instance proceedings, the maritime court sealed the two pieces of land, oil storage tanks and ancillary facilities of the Jinming oil depot in accordance with the application of the Guangzhou Company. In December 3, 2015, the Guangzhou maritime court decided to make a trial decision. In addition to confirming the aromatics ownership of Guangzhou Company, it asked the Jinming oil depot to deliver 34055.13 tons of aromatics to the Guangzhou Company, and compensate for the loss of price declining of 91,882,709.92 yuan and interest. If the Jinming oil depot failed to deliver the goods, the indemnification of the value is 270,672,152.92 yuan and interest. Jinming oil depot refused to accept and filed an appeal. The Guangzhou Company has submitted an application for renewal of property preservation to the Guangdong provincial high court. The Supreme Court of Guangdong province organized evidence exchange on the case in March 15, 2017, and heard the case in March 17, 2017. In March 2018, the Guangdong Provincial High Court rendered a second instance judgment, which rejected the appeals of Guangzhou Company and Jinming Oil Depot and upheld the original judgment. After the judgement came into effect, the Guangzhou Company applied for enforcement at the Guangzhou maritime court on March 20, 2018. The Guangzhou Maritime Court ruled on May 14, 2018, in accordance with the Bank Guarantee and Application for Unsealing submitted by the Guangzhou Company, that the aromatic hydrocarbons in six storage tanks should be unlocked and the goods should be extracted by the Guangzhou Company. As of June 8, 2008, Guangzhou Company has lifted 23480.533 tons of mixed aromatic hydrocarbons from Jinming Oil Depot (6 tons exceeding the estimated quantity). Six tanks of mixed aromatic hydrocarbons have been extracted and about 130 million yuan has been recovered.

### 9.2.3 Dispute case between Logistics Guangzhou and Taifa Special Steel

From November to December of 2013, the subsidiary of the Group, CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics) signed two copies of the contract of buying and selling steel billets with the Xuzhou Taifa Special Steel Technology Co.,Ltd(hereinafter referred to as " Taifa Special Steel "), with a total amount of 84.35 million yuan. In the process of performance, the Complete Logistics prepaid approximately 98% of the total amount of the contract, which is 82,663,000 yuan to Taifa Special Steel, and charged a total of 16,999,800 yuan from the downstream customers as performance bond, but Taifa Special Steel didn't delivered. In May 26, 2014, the Complete Logistics filed a lawsuit to the Yangpu court, requesting the release of the contract, requiring Taifa Special Steel to return all payments and to pay the interest on the funds and to bear the liability for breach of contract. In June 17, 2014, the Complete Logistics applied to the Yangpu court for the preservation of property. The Yangpu court preserved four bank accounts in which the funds of the freezing bank accounts totaled 7.86 million yuan and three pieces of lands (in Anhui). Through the mediation of the Yangpu court, Taifa Special Steel agreed to pay a total of 68.97 million yuan and the corresponding interest to the Complete Logistics in the agreed time limit, and to accept the case acceptance fee and preservation fee. Because the Taifa Special Steel has not fulfilled the obligation of payment in accordance with the two civil mediation letters, the Complete Logistics applied to the Yangpu court for enforcement.

### 9.2.4 Dispute case among Logistics Guangzhou, Anhui Taike and Zhejiang Taike

From October 2013 to February 2014, the subsidiary of the group, CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics) has signed supply contracts with Anhui Taike Iron Tower Co., Ltd. (hereinafter referred to as " Anhui Taike ") and Zhejiang Taike Steel Tower Co., Ltd. (hereinafter referred to as " Zhejiang Taike "), with a total contract amount of 29.22 million yuan. Anhui Taike and Zhejiang Taike did not pay some of the contracts (total contract value was 25,264,600 yuan) after the expiration. Tyco, Zhejiang, did not pay for the goods. In September 25, 2014, the Complete Logistics filed a lawsuit to the Yangpu court, which required Anhui Taike and Zhejiang to fulfill the obligation of payment and undertake the liability for breach of contract, and also required the Anhui branch and Zhongrui Financing Guarantee Co.,Ltd.to undertake corresponding guarantee responsibilities. In November 4, 2014, through the mediation of the Yangpu court, Anhui Taike agreed to pay 10.95 million yuan for payment of goods, 389,700 yuan for liquidated damages and interest, while Anhui Taike agreed to pay 14,247,400 yuan for payment of goods, 467 thousand yuan for liquidated damages and interest. Because the two companies did not implement the mediation agreement, the Complete Logistics applied for

enforcement. During the enforcement period, Anhui Taike and Zhejiang Taike entered bankruptcy procedures one after another, and the execution procedures ended. In May 10, 2017, Complete Logistics declared and confirmed the creditor's claim of 18.17 million yuan. In May 29, 2015, Complete Logistics declared and confirmed the amount of claims totaled 15.5 million yuan. In March 13, 2017, Complete Logistics filed a litigation was exercised against Zhongrui and its Anhui branch. In April 21, 2017, the court of Yangpu made a trial decision, requiring Zhongrui Company to undertake a joint liability of 12,557,000 yuan and 12,807,000 yuan for the payment obligations of Anhui Taike and Zhejiang Taike respectively. In June 2017, Complete Logistics applied for enforcement to the Yangpu court. Because the Zhongrui Company refused to comply, the Yangpu court terminated the execution in November 20, 2017.

#### 9.2.5 Dispute case among Logistics Guangzhou, Changlong Technologies and Zhejiang Taike

The Group's subsidiary CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics) carried out polyester chip trade with Jiangsu Xiake Color Spinning Co., Ltd. (hereinafter referred to as "Xiake Company"), agreed to purchase polyester slices from Jiangsu Changlong Technologies Co., Ltd. (hereinafter referred to as "Jiangsu Changlong") and delivered it to Chuzhou Prosperity Environmental Protection Color Fiber Co., Ltd. (a subsidiary of Xiake Company). Meanwhile, Xiake Company promised to provide a commercial acceptance bill to guarantee the performance of the contract. In July 25, 2013, the Complete Logistics signed a contract for purchase and sale of polyester chip with Jiangsu Changlong, and paid an advance payment of 50 million yuan according to the contract. In the performance of the contract, Jiangsu Changlong clearly indicated that it could not deliver goods to Complete Logistics according to the contract agreement. The Complete Logistics required Jiangsu Changlong to undertake the liability for breach of contract, and required Xiake Company to undertake the guarantee responsibility. In April 2014, the Complete Logistics prosecuted to the Yangpu court, requesting the court to cancel the purchase and sale contract, to require the Jiangsu Changlong returning 50,138,000 yuan to the Complete Logistic, and to bear the loss of interest and lawyer's fee. The Xiake Company is responsible for the joint liability of the contract liability of Jiangsu Changlong.

In June 25, 2014, the court of Yangpu ruled that Jiangsu Changlong returned 50 million yuan to the Complete Logistic. The case is final by the second instance, and the first trial is maintained. After the decision comes into effect, the Complete Logistics applied to the Yangpu court for enforcement of Jiangsu Changlong and Xia Ke Company. In June 30, 2015, the Complete Logistic received 32.8 million yuan because of the bankruptcy and reorganization of Xiake Company. The Complete Logistic continues to ask Jiangsu Changlong for the liquidation.

#### 9.2.6 Dispute case of steel billet purchase of Runde Company

In March 3, 2015, the Group subsidiary of Jiangyin Runde Materials Co., Ltd. (hereinafter referred to as " Runde Company") and Wuhu Xinxing Ductile Tron Pipes Co., Ltd. (hereinafter referred to as " Wuhu Xinxing ") signed the "purchase and sale contract of industrial and mining products", stipulate that the quantity of the purchase of billet is 20 thousand tons, and the total amount is 45.6 million yuan. According to the contract, the Runde Company paid a total amount of 45.6 million yuan to the Wuhu Xinxing, but it was unable to deliver all the goods according to the contract. In June 10, 2015, the Wuhu Xinxing filed a lawsuit to the Wuhu middle court, requesting the court to confirm that the contract signed between the Wuhu Xinxing and the Runde Company was invalid. It should not bear any responsibility arising from the invalidity of the contract, and should not bear the liability of delivery or refund to the Runde Company. In June 18, 2015, Runde Company countercharged Wuhu Xinxing and applied for property preservation before litigation. In December 25, 2015, the Wuhu intermediate people's court made a first instance judgment, confirming that the contract between Wuhu Xinxing and Shanghai Jin Sheng was invalid. In January 2016, both the Runde Company and Wuhu Xinxing lodge an appeal. In September 25, 2017, the Anhui High Court ruled that the basic facts of the original judgment were not clear. The first instance judgment of the Wuhu intermediate people's court was revoked, and should be sent back to the Wuhu intermediate people's court for retrial. At present, the case is under trial.

#### 9.2.7 Dispute case among Logistics Guangzhou, Shanxi Energy and Zhejiang Ronggang

In November 23, 2012, the Group subsidiary enterprise CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics) and Zhejiang Ronggang Iron and steel co. LTD. (hereinafter referred to as "Zhejiang Ronggang ") signed the "agent procurement contract". The Complete Logistics as an agency to its designated supplier, Shanxi Energy General Company (hereinafter referred to as "Shanxi energy") purchased metallurgical coke according to the contract. On the same day, the Complete Logistics signed the coke purchase and sale contract with Shanxi Energy. The Complete Logistics paid the performance bond and advance payment to the Zhejiang Ronggang according to the contract, but Shanxi energy fails to deliver the goods after receiving the advance payment. In December 2013, Complete Logistics filed a lawsuit to the Yangpu court, requesting the court to order the termination of the contract for the purchase and sale of coke, and to return 32 million yuan for payment of goods and the loss of interest. In September 25, 2014, the

court of Yangpu made a decision on the cancellation of the coke purchase and sale contract between the Complete Logistics and Shanxi Energy and the return of 32 million yuan and interest loss within ten days after the judgement come into force. Shanxi's Energy was appealed. In February 25, 2015, Shanghai second middle court ruled to withdraw the first instance decision made by the Yangpu court and sent it back to the Yangpu court for retrial. In March 16, 2016, the Yangpu court made a retrial of the first instance, ordered the two parties to cancel the contract, and Shanxi Energy returned 11.6 million to Complete Logistics and paid the loss of interest. The third party, Zhejiang Ronggang should return the payment of goods to Shanxi Energy and bear joint responsibility. In May 2016, the Complete Logistics applied enforcement.

#### 9.2.8 Dispute case between CSSC Complete Logistics and Wuxi Guomao

CSSC Complete Logistics and Wuxi Guomao signed "domestic materials purchase and sales contract". During the period of performing the contract, due to the declined prices in the steel market, Wuxi Guomao did not pay and pick up the goods in time, but issued a "repayment commitment" in September 2015 and promised to pay 0.325 million yuan per month from October 2015 to September 2018. Meanwhile, Wuxi Guomao provided three coiling flatenning product lines and the supporting parts as collateral. Since October 2015, Wuxi Guomao did not pay in accordance with the "repayment commitment". On June 23, 2016, CSSC Complete Logistics filed a lawsuit to the People's Court of Shanghai Yangpu District, requested Wuxi Guomao to pay the amount of 12.8554 million yuan, while applied for property preservation of the mortgaged property. On 18 September 2017, CSSC Complete Logistics received the first-instance judgment from Yangpu Court, which upheld the lawsuit claims of CSSC Complete Logistics, requesting Wuxi Guomao to pay 12.8554 million yuan to CSSC Complete Logistics. On 24 October 2017, CSSC Complete Logistics applied for the compulsory execution to the Yangpu Court, and Yangpu Court had already accepted the case. The case is executed at present.

#### 9.2.9 Dispute case between CSSC Industrial Complete Logistics Co., Ltd and China Telecom Best Tone Information Co., Ltd

In June 26, 2015 and July 10th, the subsidiary of the group, CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics), signed two of "purchases and sales contract", respectively, with the contract price of 15,068,100 yuan and 14,151,000 yuan respectively. According to the contract, the goods will be transported to the designated place by the Complete Logistics, but the Best Tone does not pay the total amount of 29,219,100 yuan. In September 30, 2015, the Complete Logistics filed a lawsuit to Hongkou court, and three bank accounts of the Best

Tone were filed property preservation. In December 2017, the case was transferred to Shanghai secondary court for promotion. At present, the case is under trial.

9.2.10 Dispute case between CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd and Shanghai Shangyou Industry Group Co., Ltd.

Case1. Dispute case of sales contract

In December 4, 2014, the subsidiary enterprise of the group CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd (hereinafter referred to as Guangzhou Company) and Shanghai Shangyou Industry Group Co., Ltd. (hereinafter referred to as Shanghai Shangyou) signed a sales contract of billet, agreed that Guangzhou Company sales 12,000 tons of billet to Shanghai Shangyou, with the total contract amount of 31,345,900 yuan. Shanghai Wen Jin Industrial Co., Ltd. provides a set of office buildings of its own to provide collateral guarantee for Shanghai Shangyou. After signing the contract, Shanghai Shangyou paid the performance bond of 15% of the total contract amount to the Guangzhou Company, and the Guangzhou Company delivered the goods according to the agreement. After receiving the goods, Shanghai Shangyou did not pay the remaining 85% of the goods to Guangzhou Company in accordance with the contract. In November 19, 2015, the Guangzhou Company filed a lawsuit against the Whampoa court of Guangzhou. In December 9, 2016, the court of first instance of Whampoa, Guangzhou decided that Shanghai Shangyou should pay 27.51 million yuan to Guangzhou Company. Wen Jin Company refused the result and appealed to the Guangzhou middle court. In July 21, 2017, the Guangzhou intermediate people's court ruled that the case was executed according to the original judgment. In September 29, 2017, the Guangzhou Company applied for enforcement in Whampoa court of Guangzhou.

In March 2018, the Guangzhou Huangpu Court issued an auction and sale of Wenjin office building "enforcement ruling" and made a notice. On April 28, it decided to entrust Shanghai Parkson Real Estate Valuation Co., Ltd. as the evaluation agency of Wenjin office building through rolling method. According to the assessment report, the total price of Wen Jin office is 32.25 million yuan, which is equivalent to 20,169 yuan per unit area. Guangzhou Huangpu Court scheduled to auction the Wenjin office building on June 25 to 26 June and 15 July. The two auctions were sold by no one. After the second auction, Guangzhou Company applied to Whampoa court to pay debts by material. On July 25, 2018, Guangzhou Company received the "enforcement ruling" issued by the Guangzhou

Huangpu Court, which decided that the property of Wenjin Company was delivered to Guangzhou Company for RMB27, 573,750 yuan.

#### Case2. Dispute case of bills

In December 10, 2014, the Guangzhou Company, signed a sales contract of billet with Shanghai Shangyou, and agreed to sale 100,00 tons of billet to Shanghai Shangyou, with a contract amount of 26,568,300 yuan. After the contract was signed, Shanghai Shangyou paid part of the payment for goods to Guangzhou Company and issued two commercial acceptance bills to Guangzhou Company by endorsement. The total amount of the bill was 10 million yuan. The draft maturing day was April 8, 2016. The drawer was China Construction Sixth Engineering Bureau Civil Engineering Co., Ltd., and remote holder was the Liaoning Heise Metal Materials Co., Ltd.. In early April 2016, the Guangzhou Company was told to refuse payment when the two commercial acceptance bills were presented to the 6th Bureau as the acceptor for prompt payment. The Guangzhou Company brought a lawsuit to the Chongming court in Shanghai. In February 3, 2017, the court of Chongming, Shanghai, made a trial decision, and required China Construction Sixth Engineering Bureau Civil Engineering Co., Ltd. and the Shanghai Shangyou to pay 10 million yuan of bill, interest and litigation fee to Guangzhou Company. In September 26, 2017, the second intermediate people's Court of Shanghai made the judgement of second instance to maintain the first judgment.

#### 9.2.11 Lawsuit of CSSC Complete Logistics suing Dalian Xinkai and Dalian Deere

On April 9, May 13, June 1 of 2015, CSSC Complete Logistics signed three groups of "purchase contract" and "sales contract" with upstream suppliers, Dalian Xinkai Digital Co., Ltd. (hereinafter referred to Dalian Xinkai), and downstream customers, Dalian Deere Digital Co., Ltd. (hereinafter referred to as Dalian Deere), with the total purchase price of 2,841,585,000 yuan and the total sales price of 28.513 million yuan. Dalian Deere did not pay, neither picked up the goods after contracts signing. Once defaulted, CSSC Complete Logistics positively urged Dalian Deere to pay and pick up the goods, and Dalian Xinkai to fulfill the repurchase obligations, but all failed in the end. Then CSSC Complete Logistics disposed the fax machines through sale and tender auction to recover a total amount of 11.8352 million yuan. CSSC Complete Logistics filed a lawsuit to the Yangpu court suing Dalian Xinkai and Dalian Deere as a common defendant, required for the loss of price difference of 7.84 million yuan and other loss. On Apr. 21, 2017, Yangpu Court made the first-instance judgement regarding the case, supporting the lawsuit claims of CSSC Complete



Logistics, requesting Dalian Xinkai and Dalian Deere to pay jointly the loss of price spread of goods by 7.84 million yuan to CSSC Complete Logistics, and so on. CSSC Complete Logistics applied for execution on Oct.11, 2017. The case is executed at present.

9.2.12 Dispute case between CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd and Yingkou Jin Rui Lian Industrial Co., Ltd

One subsidiary enterprise of the group, CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd signed 5 pieces of domestic materials sales contract with Yingkou Jin rui Lian Industrial Co., Ltd respectively from March to November of 2014. The contract stipulate that after signing the contract, Jin Rui Lian pays 15% deposit to Guangzhou Company, and 90 days after, the company pays for the goods in batches. After the contract was signed, Jin Rui Lian paid the deposit according to the contract; Jin Rui made unauthorized lifting of the 21,430.42 tons of valve snails Guangzhou Company stored at the port of Yingkou port without paying the rest. In May 2015, the Guangzhou Company filed a lawsuit to Whampoa court of Guangzhou, demanding that Jin Rui Lian, Jin Tai Heng and JinGuan group repayed 48.65 million yuan to the Guangzhou Company. Through the mediation of the Whampoa court, the guarantor Jin Tai Heng company agreed to pay the Guangzhou Company about 48.23 million yuan before December 4, 2015. After the settlement, Jin Rui Lian Company and its guarantor Jin Tai Heng company still did not pay. In January 4, 2016, the Guangzhou Company applied for enforcement, requesting to auction the real estate item of Jin Tai Hang Company. The case is being executed at present.

9.2.13 Dispute case between CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd and Anhui Win-Win Regenerative Resources Group Co., Ltd

In July 24, 2013, the Guangzhou Company (abbreviation of CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd), a subsidiary company of the group, signed a purchase contract of ethylene glycol with the upstream supplier Xin He International Trade Co., Ltd. In Tianchang city (hereinafter referred to as "the Tianchang Xin He") with a contract amount of 20.94 million yuan, and a sale contract with the downstream customer Anhui Shuang Ying Regenerative Resources Group Co., Ltd. (hereinafter referred to as "Anhui Win-Win") with a contract amount of in 21 million yuan. Anhui Win-Win paid 21 million yuan to Guangzhou Company after signing the contract, and Guangzhou Company would deliver the goods to Anhui Win-Win in the form of transferring right of cargo after receiving the bill of lading of the 3000 tons of ethylene glycol. In February 20, 2014, Anhui Win-Win filed a lawsuit to the Hefei intermediate people's Court that the Guangzhou Company did not deliver the goods on time. In November 21, 2014, the Hefei

intermediate people's court made a first instance judgment, sentenced in which the Guangzhou Company returned 10.93 million yuan for payment for goods and 2.1 million yuan for breach of contract. The Guangzhou Company appealed against the first instance judgment to the Anhui high court. Under the auspices of the Anhui high court, the case was settled through mediation. At present, the case is being carried out.

#### 9.2.14 Arbitration case of PSV (Platform auxiliary ship) of type PX121H between Shanghai

Waigaoqiao Shipbuilding Co., Ltd and Singapore Pacific Crest Pte.Ltd

In December 2013, the group's subsidiary, Shanghai Waigaoqiao Shipbuilding Co., Ltd. (hereinafter referred to as the Waigaoqiao), signed two copies of shipbuilding contracts of 2 PSV (Platform auxiliary ship) of type PX121H with the Singapore Pacific Crest Pte.Ltd. The other party of the contracts changed from Pacific Crest Pte.Ltd to Singapore CA OFFSHORE INVESTMENT INC on May 8, 2014. In November 18, 2016, the shipowner, CA OFFSHORE INVESTMENT INC submitted arbitration to the Hongkong International Arbitration Center on the grounds that beyond the due date of abandonment stipulated in the contract, involving a total of about \$5.55 million for the 2 ships. The Waigaoqiao has authorized its agent to submit the reply and counterclaim to the arbitral tribunal, pointing that the owner's cancellation of the shipbuilding contract of the H1350 ship is in violation of the relevant provisions of the contract. Then the Waigaoqiao requires the shipowner to bear the corresponding losses resulting from the consequential damage to Shanghai Waigaoqiao Shipbuilding Marine Engineering Co., Ltd, pay the third phase of the shipbuilding contract of the H1351 ship, and bear the related losses of Shanghai Waigaoqiao Shipbuilding Marine Engineering Co., Ltd. At present, both sides have appointed arbitrators, but the final time has not yet been determined. As at the end of the term, the case is still in the arbitration stage.

#### 9.2.15 Arbitration case of self-elevating drilling platform (H1368) between Shanghai Waigaoqiao

Shipbuilding Co., Ltd and Singapore ESSM Offore PTE.Ltd

In July 2013, the group's subsidiary enterprise Shanghai Waigaoqiao Shipbuilding Co., Ltd (hereinafter referred to as the Waigaoqiao) undertook the construction contract of new type CJ46 375 foot self-elevating drilling platform (JACKUP). In June 28, 2016, the shipowner sent a letter to Waigaoqiao to terminate the contract and asked for refund of the contract payment (10% of the contract price) and interest paid by the shipowner. In July 1, 2016, Waigaoqiao sent a formal reply to the shipowner, saying that the shipowner had no right to terminate the contract in June 28, 2016, and it was a deliberate breach of contract. At present, the two parties have appointed arbitrators respectively, and are at the stage of arbitration application.

9.2.16 CSSC Chengxi Shipbuilding Co., Ltd ——Arbitration case of main engine TVD of CX9702 in London

In June 12, 2010, the group's subsidiary, CSSC Chengxi Shipbuilding Co., Ltd (hereinafter referred to as CSSC Chengxi) and China Shipbuilding Trading Co., Ltd (hereinafter referred to as the Trade Company) as a joint seller, signed a 71,900 ton self-unloading ship (ship number: CX9702) construction contract with the Norway shipowner Torvald KLAVENESS SHIPPING AS company.

In Nov. 10, 2010, the three parties signed a transfer agreement and agreed that KCL Shipping AS became the buyer (incorporated into the Torvald Klaveness Shipping AS in Norway now).The ship has been delivered on March 22, 2013. In March 14, 2014, CSSC Chengxi received the GCR243 guarantee slip submitted by the Norway shipowner Torvald Klaveness Shipping AS, reflecting the problem of "main engine axial vibration detection alarming +3.07mm ". CSSC Chengxi fed back to the supplier DOOSAN, and DOOSAN replied that "the alarm was as short as 4 seconds and has nothing to do with the shock absorber (TVD)".From May 2014 to April 2016, CSSC Chengxi has been keeping in touch with shipowners and DOOSAN about the cause of damage of TVD, detection and correlation analysis. DOOSAN believes that the malfunction of the TVD is caused by the owner's misuse, and rejected the owner's compensation requirements.In July 18, 2016, Torvald Klaveness Shipping AS applied for arbitration, claiming that the host torsional vibration absorber (TVD) had a defect, which is caused by a problem in the "low-voltage alarm setting", or the "low-voltage alarm" device itself because of defection in the material. The shipyard is required to undertake the liability of warranty and to compensate expenses for the inspection, transportation, the loss of changing TVD and other losses and expenses, which are resulted from the defect, amounting to about \$2,475,872.63. In response, DOOSAN rebutted that the malfunction of TVD was caused by own reasons of the owner (eg.multiple outage blackouts). At present, the arbitral tribunal has not yet decided.

9.2.17Case of Lawsuit of CSSC Offshore and Marine Engineering suing Jiangsu Shenghua

On December 31, 2010, CSSC Offshore and Marine Engineering and the level forth unit Guangzhou Guangli Shipbuilding Human Resource Service Company Limited (hereafter referred to as Guangli Company) filed four lawsuits to the Intermediate People's Court of Zhenjiang, Jiangsu Province (hereafter referred to as "Zhenjiang Intermediate Court"). The lawsuits are case of CSSC Offshore

and Marine Engineering suing Jiangsu Shenghua Shipbuilding Co., Ltd (hereafter referred to as “Jiangsu Shenghua”) to return of assets, a dispute case of a technical service contract, and the dispute cases that Guangli Company sued Jiangsu Shenghua about the ‘Installation engineering project contract’ of 79,600 tons bulk cargo freighters #1 and #2. CSSC Offshore and Marine Engineering and Guangli Company requested that: A. ① Jiangsu Shenghua should eliminate the obstruction, and instantly return the production equipment, instruments, and materials stored in the plant of Jiangsu Shenghua which were belonged to CSSC Offshore and Marine Engineering. ② Jiangsu Shenghua should bear the responsibility of compensation on the spoilage and loss of the aforementioned production equipment, instruments, and materials; B. Jiangsu Shenghua should pay the technology service fee and the corresponding interest of 2.4 million yuan and bear the liquidated damages at the amount of 2.4 million yuan; C. Jiangsu Shenghua should liquidate the engineering project payment, damages from breach of contract and awaiting time losses in arrears to Guangli Company at the total amount of RMB 50.2817 million yuan (including: 1# ship 26.8760 million yuan and 2# ship 23.4057 million yuan). On June 4, 2013, the case of the Company suing Jiangsu Shenghua to return of assets was mediated by Wuhan Maritime Court, and Jiangsu Shenghua already returned all the equipments and materials.

After the aforementioned three other cases were mediated by Wuhan Maritime Court, the Company applied for the compulsory execution to the court. The assessment of the seized assets was completed by the evaluation institutions entrusted by the execution court. The court already announced the objection notices of the delivery of assessment report and the completion of assessment report. On June 4, 2013 and August 8, 2013, the court conducted two auctions on the seized equipments and materials belonged to Jiangsu Shenghua, and both the auctions were aborted. CSSC Offshore and Marine Engineering formally rendered the application of fulfilling the obligations by property to the court on August 19, 2013. In the compulsory execution process of the case, Zhejiang Nantian Posts and Telecommunications Technology Co., Ltd (hereafter referred to as “Zhejiang Nantian”), as one of the main creditors of Jiangsu Shenghua, sued Jiangsu Shenghua, Guangli Company and the Company as the defendants to Wuhan Maritime Court and requested the court to recognize that Zhejiang Nantian shall be entitled to the priority right to be repaid regarding the resources and materials of Jiangsu Shenghua including the 300T crane, and to stop the execution

on the 300T crane, or if the cranes were to be executed, the consideration received should be used to repay the creditor's right of Zhejiang Nantian to Jiangsu Shenghua in priority. Previously, Zhejiang Nantian had made an objection to the court with the same reason on May 22, 2013 and was rejected by the ruling of the court. The case was held a hearing on November 20, 2013. On December 10, 2013, Wuhan Maritime Court made the first-instance judgment on the case of Zhejiang Nantian (2013 Wuhaifa Shangzi No. 01328 Civil Judgement), and identified that the Company and Guangli Company enjoyed the right to the mortgages on the mortgage properties of Jiangsu Shenghua. The priority of the creditor's rights to be repaid is prior to Zhejiang Nantian. The court objected the claims of Zhejiang Nantian. On January 3, 2014, the Company received the appellate petition of Zhejiang Nantian sent by Wuhan Maritime Court. Zhejiang Nantian already sued to Hubei Provincial High Court, and requested to cancel the aforementioned judgment of Wuhan Maritime Court and to recognize that Zhejiang Nantian were entitled to the priority right to be repaid prior to Guangli Company regarding the 300T crane of Jiangsu Shenghua. The Company and Guangli Company are under the communication with the court and apply to the court to continue to perform the case of Shenghua. On June 20, 2014, the Company had applied to the court to resume the execution.

In November 2014, the Company received the notice from the implementation judge of Wuhan Maritime Court, stating that Jiangsu Shenghua was adjudicated to be bankruptcy by Zhenjiang Intermediate Court in the end of October. All the cases under execution were suspended of execution. All the creditors should file the creditor's rights with Zhenjiang Intermediate Court. Now the Company and Guangli Company have completed the statistics on the breakdown of bankruptcy claims and the submission of claims data to the liquidation group. On March 20, 2015, the Company participated in the first meetings of creditors of Jiangsu Shenghua. The meeting of creditors conducted the recognition on the current situation of the creditor's rights and debts of Jiangsu Shenghua, and implemented the vote on the subsequent plan on sale of the bankruptcy properties. Nonetheless, the largest creditor was against the plan for sale on conversion, resulted that the meeting did not pass the conversion scheme of the properties. Because the asset appraisal on the real estate and land owned by Shenghua Company has not been completed yet, the meeting of creditors will be held again after the appraisal is completed and a new conversion scheme on sale is created.

On 27 April 2017, the Company participated in the second meeting of bankruptcy creditors, and on May 17, the Company received the ruling from Zhenjiang Intermediate Court, which recognized Jiangsu Shenghua's plan on sale of the bankruptcy properties. The appraisal on the values of the real estate, land and outbuildings, machines and equipment owned by Jiangsu Shenghua has been completed, while the appraisal on the cranes under construction is still pending. The third meeting of bankruptcy creditors is expected to be held in 2018.

#### 9.2.18 Lawsuit of CSSC Guangzhou Longxue Shipbuilding Co., Ltd and CSSC (Guangzhou)

International Co., Ltd suing Shandong Qingyun Heavylifting Machinery Co., Ltd

The level three entity CSSC (Guangzhou) International Co., Ltd (hereafter referred to as CSSC (Guangzhou) International, as the original CSSC Guangzhou Longxue Shipbuilding Co., Ltd renamed) and CSSC Guangzhou Longxue Construction Development Co., Ltd (hereafter referred to as Longxue Construction) requested that Shandong Qingyun Heavylifting Machinery Co., Ltd and Shandong Tianjiang Heavy Industry Science and Technology Group Co., Ltd return the payment of goods at RMB 44.4965 million and the related interests (calculated according to the lending rates of the People's Bank of China over the same period, from July 29, 2009 to the date when the judgement went effective) and should also continue to complete the delivery obligations under the project contract of the 9 cranes which were delivered to Longxue Island in Nansha District, Guangzhou in accordance with the promise, as well as assuming the case acceptance fee of RMB 283,696 yuan and the property preservation fee of RMB 5,000 yuan. The first instance verdict of Ji'nan Intermediate People's Court completely supports the claims of CSSC (Guangzhou) International. The defendant appealed. However, due to the failure to pay the legal fees, such appeal has been automatically withdrawn. The case is now being enforced by the court. Ji'nan Intermediate People's Court of separately conducted two formal auctions on May 21, 2013 and August 12, 2013 regarding the seventeen crane structural parts and accessories which were valued at RMB 15.96 million which was determined by appraisal. The two auctions were all aborted because no one participated in the auctions to buy. On December 12, 2013, the court sent the decision that the case should be performed by the People's Court of Shanghe County to the attorney agents of CSSC (Guangzhou) International, an action which brought relatively significant inconvenience and resistance to the subsequent performance of the case. After CSSC (Guangzhou) International submitted a written objection and the complaint materials and conducted multiple communications, Ji'nan Intermediate People's Court issued the execution ruling on April 29, 2014, leveling up the implementation of the case to be conducted by the Ji'nan Intermediate Court.

After assigned a new implementation judge, the related staff of CSSC (Guangzhou) International, the attorney agents and the implementation judge went to Tianjiang Company to conduct an investigation on the properties which were to be performed on June 12, 2014. On June 27, 2014, CSSC (Guangzhou) International submitted the second phase written evaluation of land and real estate and the auction application to the implementation judge. On July 29, 2014, the court determined the attestation institute through a lottery system. On January 22, 2015, upon receipt of the evaluation report from the evaluating company, CSSC (Guangzhou) International raised the application to conduct an auction on the land and real estate of Tianjiang Company and Qingyun Company.

On April 7, 2015, Ji'nan Intermediate People's Court delegated Shangdong Jiahe International Auction Co., Ltd and Shangdong Peifeng Auction and Tender Co., Ltd to conduct public auction on the land use rights (including the property on the ground) of the individual and private park located in Yangliu Town, Xintai City under the name of Shandong Qingyun Heavylifting Machinery Co., Ltd and the land use rights (including the property on the ground, equipment and trees) located in Keyuan Road, Economic Development Zone of Shanghe County under the name of Shandong Tianjiang Heavy Industry Science and Technology Group Co., Ltd. Because no one bid, the auctions went unsold. After the failure of the auctions, CSSC (Guangzhou) International immediately applied to the court to let itself accept such aforementioned properties to offset partial debts according to the reserve price determined by the auction. On April 8, 2015, Ji'nan Intermediate People's Court issued the execution ruling, adjudicating that the land use rights and the property on the ground of Shandong Qingyun Heavylifting Machinery Co., Ltd and the land use rights (including the property on the ground, equipment and trees) shall to be delivered CSSC (Guangzhou) International to offset for a portion of the debts for the pricing of RMB 35.105956 million. On June 9, 2015, CSSC (Guangzhou) International received the ruling of the end of this implementation procedure from Ji'nan Intermediate People's Court, indicating that the resumption of execution can be applied for when new property clues are discovered. December 2015 Qingyun case implementation project coordination group on the day of the company's real estate (the court ruled for the company all) to inviting the way in the local spot to deal with cash 98,000 yuan, has been recognized by the CSSC (Guangzhou) International accountant.

As at June 30, 2018, CSSC (Guangzhou) International has no results with regards to the disposal of pledged assets.



9.2.19. Contract disputes of construction projects among CSSC Science &Technology Co., Ltd., Beijing Zhongguancun and Beijing Zhongguancun Xinjiang branch.

In June 30, 2011, CSSC Science &Technology, a subsidiary of the Group, signed “Construction Contract” with Beijing Zhongguancun, and agreed that the plaintiff to undertake the steel construction and installation part of the whole project. The steel structure of the project has been checked from June to August in 2013, and the conclusion of acceptance check is qualified. The company submitted the completion settlement report and complete settlement data to the defendant on 18 January 2015. The construction project management center of the Urumqi economic and Technological Development Zone, the construction party of the item, also entrusted the professional cost consulting company to examine the project, but Beijing Zhongguancun rolled over with various reasons. The steel structure is not settled until now. Because the total project settlement is RMB104,172,200 yuan, and RMB 13,670,000 yuan was paid to the plaintiff, a total of RMB 90,502,200 yuan debts was owned. CSSC Science &Technology has filed a writ to the higher people's Court of Xinjiang, asking Beijing Zhongguancun for a total payment of 90,502,200 yuan for the project, and the legal costs for the case. The higher people's Court of Xinjiang held a court in June 22, 2018, and no result of judgement has yet been made.

9.2.20 Contract dispute case between CSSC Science &Technology Co., Ltd. and Wuxi Haiyuan Heavy Industry Co., Ltd

In November 2011, after signing a processing contract with Wuxi Haiyuan, CSSC Science &Technology, a subsidiary of the Group has fully fulfilled the contractual obligations and completed the warranty, but Wuxi Haiyuan failed to pay the contracted amount on time. In May 18, 2015, CSSC Science &Technology brought a lawsuit to the people's court in Rugao city, Wuxi, which required the Wuxi Haiyuan to pay RMB 9,932,860 yuan for the remaining payment and 1,681,100 yuan for the loss of interest. In August 27, 2015, Wuxi Haiyuan agreed to pay RMB 5,492,900 yuan to the company in four phases through court mediation. But Wuxi Haiyuan paid only RMB 1 million yuan in the form of commercial bill and did not pay the rest. In November 2017, CSSC Science &Technology applied for enforcement.

On December 21, 2017, the People's Court of Wuxi Binhu District decided to accept the reorganization of Wuxi Haiyuan and appointed the liquidation team of Wuxi Haiyuan as the

administrator. CSSC Science & Technology filed its claim on March 20, participated in Wuxi Haiyuan's first creditor meeting on March 28, and waiting for the reorganization plan at present.

### 9.3 Contingent liabilities caused by other matters

As of the balance sheet date, the company has no other major contingent events.

## 10. Commitments

### 10.1 Significant Commitments

#### 10.1.1 Mortgage or pledge of assets

The group's fixed time deposit, note receivable, inventories, fixed assets and so on, which used for pledge as at the end of term, are detailed in Note 8.55 the assets restricted by ownership and right to use.

#### 10.1.2 Other Significant Financial Commitments

10.1.2.1 The details of the forward foreign exchange contracts which the Company has signed, but not delivered

As at June 30, 2018, the transactional amount of the forward foreign exchange contracts which the subsidiaries of the Group have signed but not delivered is \$4,603,473,887.00, and €7,000,000.00. Including:

Item	Currency	Amount	Remark
Forward foreign exchange settlement due in 2018	USD	714,043,887.00	Note
Forward foreign exchange settlement due in 2018	EUR	7,000,000.00	
Forward foreign exchange settlement due in 2019	USD	1,442,300,000.00	
Forward foreign exchange settlement due in 2020	USD	2,355,630,000.00	
Forward foreign exchange settlement due in 2021	USD	91,500,000.00	

Note: Forward settlement products are divided into ordinary forward contract products and structured forward contract products. The ordinary forward contracts are delivered on the settlement day at the lock exchange rate. The trading rules for structured forward contract are: If the reference price observed on the maturity date is less than or equal to the executive exchange rate, it will be delivered on the delivery date at the locked amount; if the reference price observed on the maturity date exceeded the executive exchange rate, it will be delivered on the delivery date at the opening amount.

10.1.2.2 As at June 30, 2018, the amount of the non-financial guarantee performance bond which the subsidiaries of the Group have issued but not expired is USD 5,312,202,859.66, RMB 1,874,067,744.58, EUR 206,573,278.10 and GBP201, 000.00.

10.1.2.3 As at June 30, 2018, the amount of letter of credit which the subsidiaries of the Group have issued but not expired is USD 147,346,376.80, RMB10,331,153.25, and EUR 95,161,644.29.

#### 10.2 Performances of previous commitments

For the financial commitments such as the repayment of pledged loans and the forward contracts, the Group can execute all of them in accordance with the contracts.

Except for the aforementioned commitment matters, the Group does not have any other significant commitment matters at the end of the term.

### 11. Post balance sheet events

On July 10, 2018, China Cssc Holdings Limited, a subsidiary of the Group, held its second provisional shareholders' meeting. In the meeting some shares of CSSC Cruise Technology Development Co., Ltd. were transferred through Shanghai Waigaoqiao Shipbuilding Co., Ltd. and China State Shipbuilding Corporation Limited increased the capital. As of the reporting date, the transaction has not yet been completed.

### 12. Related parties and transactions

#### 12.1 Related parties of the Company

Details of related parties of the Company refer to Notes to the Financial Statements of 2017.

#### 12.2 Transactions with related parties

None

### 13. Notes to the financial statements of the Company

#### 13.1 Other receivables

Items	Ending Balance	Beginning Balance
Dividends receivables	763,116.25	763,116.25
Other receivables	6,121,389,334.27	8,065,975,589.64
<b>Total</b>	<b>6,122,152,450.52</b>	<b>8,066,738,705.89</b>

### 13.1.1 Other receivables

Category	As at 30/6/2018			
	Book balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Other receivables that are individually significant and subject to separate allowance				
Other receivables that are provided for doubtful debts allowance on portfolio basis	6,125,189,047.07	100.00	3,799,712.80	0.06
Other receivables that are individually insignificant but subject to separate allowance				
<b>Total</b>	<b>6,125,189,047.07</b>	<b>100.00</b>	<b>3,799,712.80</b>	<b>0.06</b>

(Continued)

Category	As at 1/1/2018			
	Book balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Other receivables that are individually significant and subject to separate allowance				
Other receivables that are provided for doubtful debts allowance on portfolio basis	8,069,775,302.44	100.00	3,799,712.80	0.05
Other receivables that are individually insignificant but subject to separate allowance				
<b>Total</b>	<b>8,069,775,302.44</b>	<b>—</b>	<b>3,799,712.80</b>	<b>—</b>

### 13.2 Long-term equity investments

#### 13.2.1 Classification of long-term equity investments

Item	Balance as at 1/1/2018	Additions	Reductions	Balance as at 30/6/2018
Investment to subsidiaries	37,010,675,867.48	98,440,000.00	45,400,000.00	37,063,715,867.48
Investment to joint ventures	5,943,270,668.27			5,943,270,668.27
Investment to associates	95,612,238.23			95,612,238.23
<b>Subtotal</b>	<b>43,049,558,773.98</b>	<b>98,440,000.00</b>	<b>45,400,000.00</b>	<b>43,102,598,773.98</b>
Subtract: Impairment for long-term equity investment				
<b>Total</b>	<b>43,049,558,773.98</b>	<b>98,440,000.00</b>	<b>45,400,000.00</b>	<b>43,102,598,773.98</b>

#### 13.2.2 Details of long-term equity investments

Invested entity	Investment cost	Balance as at 1/1/2018	Movement in current term							Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others	
<b>Subsidiaries</b>		37,063,715,867.48	98,440,000.00	45,400,000.00	0.00	0.00	0.00	0.00	0.00	37,063,715,867.48	
Beijing Shipbuilding Industry Management Cadres Institute	6,546,635.90	6,546,635.90								6,546,635.90	
Guangzhou Shipbuilding Industry Co., Ltd.	967,301,608.27	967,301,608.27								967,301,608.27	
Guangzhou Shipbuilding and Marine Engineering Design and Research Institute	708,529.00	708,529.00								708,529.00	
Guangzhou Shipbuilding Co., Ltd	150,000,000.00	150,000,000.00								150,000,000.00	
Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd	20,000,000.00	20,000,000.00								20,000,000.00	
Guangzhou CSSC Wenchong Shipyard Co., Ltd	582,967,242.15	582,967,242.15								582,967,242.15	
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	3,940,161,139.89	3,940,161,139.89								3,940,161,139.89	
Hualian Shipyard Co., Ltd	46,077,384.75	46,077,384.75								46,077,384.75	
Jiangnan Shipyard (Group) Co., Ltd	3,941,410,203.99	3,941,410,203.99								3,941,410,203.99	
Jiangxi Chaoyang Machinery Factory		45,400,000.00		45,400,000.00						0.00	
Jiujiang Precision Testing Technology Research Institute	218,607,981.08	218,607,981.08								218,607,981.08	
Nanjing CSSC Lvzhou Machinery Co., Ltd	656,258,410.86	656,258,410.86								656,258,410.86	
Shanghai Ship Design and Research Institute	55,371,887.67	55,371,887.67								55,371,887.67	

Invested entity	Investment cost	Balance as at 1/1/2018	Movement in current term							Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others	
Shanghai Jiangnan Shipyard Co., Ltd.	312,724,137.72	312,724,137.72									
Shanghai Lu Pu Bridge Investment and Development Co., Ltd	40,000,000.00	40,000,000.00									
Shanghai Ruiyuan Real Estate Development Co., Ltd	159,283,025.12	159,283,025.12									
Shanghai Ruizhou Real Estate Development Co., Ltd	42,000,000.00	42,000,000.00									
CSSC Finance Co., Ltd	2,959,244,288.00	2,959,244,288.00									
CSSC Electronic Technology Co., Ltd	928,304,800.00	928,304,800.00									
CSSC Power Research Institute Co., Ltd	573,640,000.00	520,600,000.00	53,040,000.00								
CSSC Power Co., Ltd	1,674,705,402.56	1,674,705,402.56									
CSSC Science & Technology Co., Ltd.	831,749,502.80	831,749,502.80									
CSSC Industrial Complete Logistics Co., Ltd	1,015,038,177.71	1,015,038,177.71									
CSSC Guangxi Shipping and Marine Engineering Co., Ltd	633,104,459.11	633,104,459.11									
CSSC Offshore and Marine Engineering (Group) Co., Ltd	1,718,570,348.02	1,718,570,348.02									
CSSC Marine Equipment Innovation Park Investment Co., Ltd.	100,000,000.00	100,000,000.00									
CSSC Southern China Marine Machinery Co., Ltd	391,087,045.26	391,087,045.26									

Invested entity	Investment cost	Balance as at 1/1/2018	Movement in current term							Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others	
CSSC Jiujiang Industry Co., Ltd	708,858,585.31	663,458,585.31	45,400,000.00								708,858,585.31
CSSC Shanghai Shipbuilding Industry Co., Ltd	45,027,084.74	45,027,084.74									45,027,084.74
CSSC Investment and Development Co., Ltd	6,003,026,900.00	6,003,026,900.00									6,003,026,900.00
CSSC Heavy Equipment Co., Ltd	50,000,000.00	50,000,000.00									50,000,000.00
CSSC (Hongkong) Shipping Leasing Co., Ltd	3,748,825,082.51	3,748,825,082.51									3,748,825,082.51
China Ship News Agency	500,000.00	500,000.00									500,000.00
China CSSC Holdings Limited	2,222,279,485.50	2,222,279,485.50									2,222,279,485.50
China Shipbuilding Industry Government Service Center	14,178,288.83	14,178,288.83									14,178,288.83
The Eleventh Research Institute of China State Shipbuilding Corporation	103,592,250.79	103,592,250.79									103,592,250.79
China Shipbuilding Trading Co., Ltd	166,775,109.53	166,775,109.53									166,775,109.53
China State Shipbuilding Industry Systems Research Institute	757,526,447.17	757,526,447.17									757,526,447.17
China Institute of Marine Technology and Economy	35,940,719.25	35,940,719.25									35,940,719.25
China Shipbuilding and Marine Engineering Design and Research Institute	513,070,489.57	513,070,489.57									513,070,489.57



Invested entity	Investment cost	Balance as at 1/1/2018	Movement in current term							Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others	
CSSC Chengxi Shipbuilding Co. Ltd.	400,000,000.00	400,000,000.00									
CSSC International Trading Co., Ltd.	158,342,924.60	158,342,924.60									
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	165,783,199.41	165,783,199.41									
Jiujiang Lushan Cuitzu Villa Co., Ltd.	1,000,000.00	1,000,000.00									
Guangzhou Shipyard International (Yangzhou) Co., Ltd											
CSSC Europe Co., Ltd	4,127,090.41	4,127,090.41									
China Shipbuilding Industry Bureau of Retired Officials											
<b>Joint venture enterprises</b>	<b>3,816,680,510.94</b>	<b>5,943,270,668.27</b>									
Shanghai Ruiming Properties Co., Ltd	1,272,833,638.48	766,218,827.09									
Shanghai Ruibo Properties Co., Ltd	1,257,306,243.12	3,404,905,651.56									
CSSC Real Estate Co., Ltd	1,286,540,629.34	1,772,146,189.62									
<b>Associated enterprises</b>	<b>73,684,846.06</b>	<b>95,612,238.23</b>									
Zhengmao Group Co., Ltd	73,684,846.06	95,612,238.23									
<b>Total</b>	<b>40,954,081,224.48</b>	<b>43,049,558,773.98</b>	<b>98,440,000.00</b>	<b>45,400,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>43,102,598,773.98</b>

### 13.3 Operating income and operating cost

Item	Term ended 30/6/2018		Year ended 31/12/2017	
	Income	Cost	Income	Cost
Other operating business	345,356.39	1,007,398.00	5,620,000.01	972,188.72

### 13.4 Investment income

#### Detail of investment income

Source of investment income	Term ended 30/6/2018		Year ended 31/12/2017	
Gains on long-term equity investments in equity method		0.00		2,397,021,868.60
Gains on disposal of long term equity investment		0.00		243,176,053.24
Gains on held-to-maturity financial assets during the holding period		542,832,024.51		626,473,936.04
Others		396,000.00		0.00
<b>Total</b>		<b>543,228,024.51</b>		<b>3,266,671,857.88</b>



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## **Auditor's Report**

DAXIN SHEN ZI [2018] NO. 1-01569

**To the Shareholders of China State Shipbuilding Corporation Limited:**

### **I. Opinion**

We have audited the accompanying financial statements of China State Shipbuilding Corporation Limited(hereafter referred to as “CSSC Group”), which comprise the consolidated and the parent company’s statements of financial position as at December 31, 2017, and the consolidated and the parent company’s statements of profit and loss, the consolidated and the parent company’s cash flow statements, the consolidated and the parent company’s statements of changes in shareholder’s equity for the year 2017, and notes to these financial statements.

In our opinion, the financial statements of CSSC Group have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material respects and present fairly the consolidated and the parent company’s financial position of CSSC Group as at December 31, 2017, and of their consolidated and the parent company’s financial performance and cash flows for the year 2017.

### **II. Basis for Opinion**

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. According to the Code of Ethics for Chinese CPA, we are independent of the Company in accordance with the Code of Ethics for Chinese CPA and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **III. Responsibilities of the Directors and Those Charged with Governance for the Financial Statements**

In preparing the financial statements, the management of the Company is responsible for assessing the Company’s ability to continue as a going concern, disclosing matters related to



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going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

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

#### **IV. 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 the audit standards 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 influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. 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, omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.
- D. Conclude on the appropriateness of using the going concern assumption by the management



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of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue 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 the Company to cease to continue as a going concern.

E. 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 presentations.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the opinion.

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

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Certified Public Accountant of China  
(Engagement partner)

Certified Public Accountant of China

Beijing, China

Date: Apr. 24, 2018

# Consolidated statement of financial position

#REF!

#REF!

Unit: RMB

Item	Notes	Ending balance	Beginning balance
<b>CURRENT ASSETS:</b>			
Monetary fund	VIII (1)	61,399,263,015.63	65,306,490,055.81
△Settlement reserves			
△Lending funds			
Financial assets at fair value through profit or loss	VIII (2)	3,098,236,762.53	1,976,413,719.67
Derivative financial assets			
Notes receivable	VIII (3)	2,641,044,327.20	2,032,108,926.95
Accounts receivable	VIII (4)	10,707,648,336.12	10,689,901,134.09
Advances to suppliers	VIII (5)	32,035,353,298.99	27,724,049,122.65
△Premium receivable			
△Reinsurance accounts receivable			
△Reinsurance contract reserve			
Interests receivable	VIII (6)	256,078,407.68	415,052,242.91
Dividend receivable	VIII (7)	66,439,656.04	24,437,888.17
Other receivables	VIII (8)	1,541,709,452.49	1,434,890,009.12
△Redemptory monetary capital for sale	VIII (9)	81,000,000.00	
Inventories	VIII (10)	40,107,801,792.98	46,636,994,416.13
Including: Raw materials		5,132,986,386.34	5,892,377,559.94
Merchandise inventories (finished products)		2,044,888,869.84	2,017,802,734.73
Held-for-sale assets			
Current portion of non-current assets	VIII (11)	4,261,452,378.53	9,906,081,859.14
Other current assets	VIII (12)	8,897,545,080.43	10,450,803,399.01
<b>TOTAL CURRENT ASSETS</b>		165,093,572,508.62	176,597,222,773.65
<b>NON-CURRENT ASSETS:</b>			
△ Loans and advances to customers	VIII (13)	197,242,022.92	320,262,287.79
Available-for-sale financial assets	VIII (14)	15,628,787,639.34	12,014,261,799.03
Held-to-maturity investments			
Long-term receivables	VIII (15)	14,839,220,321.87	10,237,703,831.69
Long-term equity investment	VIII (16)	17,683,605,598.66	10,865,909,854.15
Investment properties	VIII (17)	1,044,947,639.29	947,154,750.18
Original cost of fixed assets		81,515,568,449.64	79,581,817,060.24
Less: Accumulated depreciation		34,071,205,994.46	30,986,614,810.69
Net value of fixed assets		47,444,362,455.18	48,595,202,249.55
Less: Provision for impairment loss on fixed assets		441,190,138.38	460,622,068.40
Net book value of fixed assets	VIII (18)	47,003,172,316.80	48,134,580,181.15
Construction in process	VIII (19)	12,586,452,312.58	11,510,245,731.17
Project material		3,942,173.90	6,233,301.42
Liquidation of fixed assets	VIII (20)	55,696,209.36	22,884,076.92
Productive biological assets			
Oil and gas assets			
Intangible assets	VIII (21)	8,685,373,880.85	8,936,564,504.32
Development expenditure	VIII (22)	403,214,737.67	322,527,783.38
Goodwill	VIII (23)	145,064,673.30	145,064,673.30
Long-term deferred expenses	VIII (24)	220,822,221.95	204,998,463.23
Deferred tax assets	VIII (25)	2,418,031,167.34	2,707,139,706.78
Other non-current assets	VIII (26)	4,911,304,928.98	381,202,797.42
Including: Special reserve materials			
<b>TOTAL NON-CURRENT ASSETS</b>		125,826,877,844.81	106,756,733,741.93
<b>TOTAL ASSETS</b>		290,920,450,353.43	283,353,956,515.58

Person responsible:

Person in charge of accounting function:

Person in charge of accounting department:

# Consolidated Statement of financial position (Continued)

#REF!

#REF!

Unit: RMB

Item	Notes	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term borrowings	VIII (27)	7,066,228,347.26	8,001,303,994.40
△Borrowings from Central Bank			
△Deposits from customers and interbank	VIII (28)	719,021,424.36	708,090,150.26
△Loans from other banks			90,181,000.00
Financial liabilities at fair value through profit or loss	VIII (29)	3,366,294.31	95,035,097.83
Derivative liabilities			
Notes payable	VIII (30)	7,955,971,403.13	7,727,006,982.52
Accounts payable	VIII (31)	35,941,950,008.18	34,767,849,829.04
Advances from customers	VIII (32)	14,841,851,606.79	10,343,086,783.77
△Financial assets sold for repurchase			
△Fees and commissions payable			
Payroll payable	VIII (33)	1,061,655,922.48	1,150,629,333.64
Including: Salary payable		432,312,379.28	500,992,511.14
Welfare expense payable		5,340,825.66	5,580,671.97
#Including:Employee bonus and welfare fund		5,072,421.30	5,312,267.61
Taxes and surcharges payable	VIII (34)	989,016,017.53	1,181,387,105.40
Including: Taxes payable		941,619,264.02	1,103,065,613.04
Interests payable	VIII (35)	611,860,245.80	695,329,344.94
Dividend payable	VIII (36)	131,134,224.68	134,407,757.50
Other payables	VIII (37)	4,008,834,451.35	4,128,292,889.56
△Reinsurance accounts payable			
△Insurance contract reserves			
△Customer brokerage deposits			
△Securities underwriting brokerage deposits			
Held-for-sale liabilities			
Current portion of non-current liabilities	VIII (38)	18,021,814,510.15	19,698,326,547.94
Other current liabilities	VIII (39)	34,562,337,816.92	40,617,126,358.25
<b>Total current liabilities</b>		<b>125,915,042,272.94</b>	<b>129,338,053,175.05</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	VIII (40)	36,294,976,944.39	35,189,345,949.71
Bonds payable	VIII (41)	25,420,652,095.30	27,088,549,359.33
Including:preferred shares			
Perpetual bond			
Long-term payables	VIII (42)	6,442,081,691.27	321,590,131.78
Long-term employee salary payable	VIII (43)	750,397,395.84	864,949,270.08
Special payables	VIII (44)	1,560,047,061.69	2,140,736,239.07
Provisions	VIII (45)	4,708,045,051.25	3,337,322,671.86
Deferred income	VIII (24)	1,155,559,225.49	1,349,073,493.80
Deferred tax liabilities	VIII (46)	400,097,983.55	302,869,041.07
Other long-term liabilities	VIII (47)	826,438,520.34	58,863,192.84
Including: Special reserve fund			
<b>Total non-current liabilities</b>		<b>77,558,295,969.12</b>	<b>70,653,299,349.54</b>
<b>Total liabilities</b>		<b>203,473,338,242.06</b>	<b>199,991,352,524.59</b>
<b>Equity (Or Shareholder's equity):</b>			
Paid-in capital (Share capital)		32,000,000,000.00	25,500,000,000.00
State-owned capital		32,000,000,000.00	25,500,000,000.00
Including: State-owned corporate capital			
Collective capital			
Private capital			
Including: Individual capital			
Foreign investors capital			
#Less: Investment returned			
Net paid-in capital (Share capital)	VIII (48)	32,000,000,000.00	25,500,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	VIII (49)	11,330,730,816.19	15,823,513,661.40
Less: Treasury stock			
Other comprehensive income	VIII (65)	509,333,320.18	295,298,325.87
Including: Currency translation reserve		-108,598,957.49	-109,515,716.04
Special reserves	VIII (50)	87,544,964.05	64,881,662.88
Surplus reserves	VIII (51)	2,704,887,206.48	2,330,139,839.63
Including: Statutory surplus reserves		2,704,887,206.48	2,330,139,839.63
Discretionary surplus reserves			
#Reserve fund			
#Enterprise expansion fund			
#Capital redemption			
△Provision for general risks			
Undistributed profit	VIII (52)	22,135,783,451.17	19,671,940,472.84
<b>Equity attributable to parent company</b>		<b>68,768,279,758.07</b>	<b>63,685,773,962.62</b>
*Minority interests		18,678,832,353.30	19,676,830,028.37
<b>Total owner's equity</b>		<b>87,447,112,111.37</b>	<b>83,362,603,990.99</b>
<b>Liabilities and owner's equity</b>		<b>290,920,450,353.43</b>	<b>283,353,956,515.58</b>

Person responsible:

Person in charge of accounting function:

Person in charge of accounting department:



## Balance Sheet of the Parent Company

#REF!

#REF!

Unit: RMB

Item	Notes	Ending balance	Beginning balance
<b>CURRENT ASSETS:</b>			
Monetary fund		3,354,115,233.16	3,940,476,403.74
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Advances to suppliers			
Interests receivable			
Dividend receivable		763,116.25	21,254,659.19
Other receivables	XIII (1)	8,065,975,589.64	5,749,489,721.50
Inventories			
Including: Raw materials			
Merchandise inventories (finished products)			
Held-for-sale assets			
Current portion of non-current assets		6,643,300,000.00	6,769,000,000.00
Other current assets		402,165,737.61	7,431,022,062.97
<b>TOTAL CURRENT ASSETS</b>		18,466,319,676.66	23,911,242,847.40
<b>NON-CURRENT ASSETS:</b>			
Available-for-sale financial assets		1,770,804,000.00	1,458,684,000.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	XIII (2)	43,049,558,773.98	39,305,643,962.81
Investment properties			
Original cost of fixed assets		769,969,601.44	770,662,144.23
Less: Accumulated depreciation		334,440,200.38	318,884,506.99
Net value of fixed assets		435,529,401.06	451,777,637.24
Less: Provision for impairment loss on fixed assets			
Net book value of fixed assets		435,529,401.06	451,777,637.24
Construction in process		42,359,586.87	42,359,586.87
Project material			
Liquidation of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		2,242,130.15	2,242,130.15
Other non-current assets		32,868,948,999.97	30,838,049,000.00
Including: Special reserve materials			
<b>TOTAL NON-CURRENT ASSETS</b>		78,169,442,892.03	72,098,756,317.07
<b>TOTAL ASSETS</b>		96,635,762,568.69	96,009,999,164.47

Person responsible:      Person in charge of accounting function:

Person in charge of accounting department:

## Balance Sheet of the Parent Company (Continued)

#REF!

#REF!

Unit: RMB

Item	Notes	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term borrowings		2,219,000,000.00	1,566,000,000.00
Financial liabilities at fair value through profit or loss			
Derivative liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Payroll payable		4,895,056.72	6,401,433.99
Including: Salary payable			
Welfare expense payable			
Taxes and surcharges payable		45,471,123.32	13,322,343.42
Including: Taxes payable		45,471,123.32	13,322,343.42
Interests payable		412,731,902.58	463,700,235.92
Dividend payable			
Other payables		110,432,980.22	310,227,720.15
Held-for-sale liabilities			
Current portion of non-current liabilities		6,643,300,000.00	4,169,000,000.00
Other current liabilities			7,000,000,000.00
<b>Total current liabilities</b>		9,435,831,062.84	13,528,651,733.48
<b>Non-current liabilities:</b>			
Long-term borrowings		6,968,949,000.00	9,538,049,000.00
Bonds payable		25,420,652,095.30	23,401,041,617.30
Including: Preferred shares			
Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables		400,000,000.00	400,000,000.00
Provisions			
Deferred income			
Deferred tax liabilities		262,444,404.36	184,414,404.36
Other long-term liabilities			
Including: Special reserve fund			
<b>Total non-current liabilities</b>		33,052,045,499.66	33,523,505,021.66
<b>Total liabilities</b>		42,487,876,562.50	47,052,156,755.14
<b>Equity (Or Shareholder's equity):</b>			
Paid-in capital (Share capital)		32,000,000,000.00	25,500,000,000.00
State-owned capital		32,000,000,000.00	25,500,000,000.00
Including: State-owned corporate capital			
Collective capital			
Private capital			
Including: Individual capital			
Foreign investors capital			
#Less: Investment returned			
Net paid-in capital (Share capital)		32,000,000,000.00	25,500,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		2,348,689,889.41	7,422,059,261.00
Less: Treasury stock			
Other comprehensive income		422,062,105.86	187,972,105.86
Including: Currency translation reserve			
Special reserves			
Surplus reserves		2,718,559,690.07	2,343,812,323.22
Including: Statutory surplus reserves		2,718,559,690.07	2,343,812,323.22
Discretionary surplus reserves			
#Reserve fund			
#Enterprise expansion fund			
#Capital redemption			
Undistributed profit		16,658,574,320.85	13,503,998,719.25
<b>Total owner's equity</b>		54,147,886,006.19	48,957,842,409.33
<b>Liabilities and owner's equity</b>		96,635,762,568.69	96,009,999,164.47

Person responsible:

Person in charge of accounting function:

Person in charge of accounting department:

# Consolidated Income Statement

Prepared by: China State Shipbuilding Corporation Limited

For the year ended December 31, 2017

Unit: RMB

Item	Notes	Year ended 31/12/2017	Year ended 31/12/2016
<b>I、Revenue</b>	VIII (53)	201,385,797,821.41	198,481,921,691.89
Including: Operation revenue		200,599,515,270.64	197,664,333,149.06
△Interest income		703,850,120.21	673,275,109.62
△Premium earned			
△Fees and commissions income		82,432,430.56	144,313,433.21
<b>II、Total cost</b>	VIII (53)	207,622,548,463.13	201,254,082,068.51
Including: Operation cost		187,496,558,802.54	183,868,780,616.64
△Interest expenses		13,505,047.88	6,084,286.47
△Fees and commissions expenses		3,582,004.29	2,500,443.38
△Cash surrender amount			
△Net expenses of claim settlement			
△Net provisions for insurance contract reserves			
△Policy dividend expenses			
△Reinsurance expenses			
Taxes and surcharges		434,190,006.63	581,752,389.27
Selling expenses	VIII (54)	1,367,371,291.33	1,339,064,109.88
Administrative expenses	VIII (55)	9,646,174,921.99	9,114,360,865.41
Including: Research and development expenses		3,362,192,043.02	2,811,496,182.92
Party construction funds		10,923,548.89	8,948,615.65
Financial expenses	VIII (56)	4,502,097,795.33	1,369,844,629.16
Including: Interests expenses		2,932,373,592.10	2,805,567,154.71
Interest income		724,615,134.01	1,192,938,255.39
Net loss on foreign exchange("—" for net gain)		2,137,909,383.00	-368,855,589.79
Impairment on assets	VIII (57)	4,159,068,593.14	4,971,694,728.30
Other costs and expenses			
Add:gain from fair-value changes("—" for loss)	VIII (58)	460,467,000.95	-3,063,313.26
Investment income ("—" for loss)	VIII (59)	5,246,327,792.99	3,150,240,269.84
Including: investment income from associates and joint ventures		3,882,711,975.44	2,136,406,646.93
△Gain on foreign exchange("—" for loss)		2,176,606.24	13,087,442.78
Gain on disposal of assets ("—" for loss)	VIII (60)	29,822,582.28	390,016,607.16
Other income	VIII (61)	942,583,762.81	
<b>III、Operating profits("—" for loss)</b>		444,627,103.55	778,120,629.90
Add:non-operating income	VIII (62)	2,304,680,311.72	1,501,122,900.76
Including: Government grants		334,840,434.14	1,311,653,520.16
Gains on debt restructuring		491,474.18	133,005.16
Less: Non-operating expenses	VIII (63)	192,883,615.31	308,872,558.42
Including: Losses on debt restructuring		11,751,172.99	
<b>IV、Profit before tax ("—" for loss)</b>		2,556,423,799.96	1,970,370,972.24
Less: Income tax	VIII (64)	1,102,851,176.76	1,029,893,896.53
<b>V、Net profit ("—" for net loss)</b>		1,453,572,623.20	940,477,075.71
Net profit attributable to parent company		2,506,337,973.12	2,441,952,718.38
*Profit/loss attributable to minority share-holders		-1,052,765,349.92	-1,501,475,642.67
Income from continuing operations		1,453,572,623.20	940,477,075.71
Income from discontinued operations			
<b>VI、Other comprehensive income after tax</b>		197,925,972.81	-278,838,741.85
Portion of comprehensive income attributable to parent company after tax	VIII (65)	214,034,994.31	-328,311,114.43
1.Comprehensive income not to be reclassified as profit or loss		-329,182.32	-9,285,846.00
(1) changes in remeasured defined benefit obligations or net assets		-510,028.32	-9,105,000.00
(2) Portion of comprehensive income not to be reclassified as profit or loss under equity method		180,846.00	-180,846.00
2.Comprehensive income to be reclassified as profit or loss		214,364,176.63	-319,025,268.43
(1) portion of comprehensive income to be reclassified as profit or loss under equity method		245,598,746.18	-262,700,247.09
(2) Gain or loss from fair value changes of available-for-sale financial assets		-32,151,328.10	-129,735,005.07
(3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
(4) Gain or loss on effective cash flow hedging			
(5) Currency translation reserve		916,758.55	73,409,983.73
*Portion of comprehensive income attributable to minority share-holders after tax		-16,109,021.50	49,472,372.58
<b>VII、Total comprehensive income</b>		1,651,498,596.01	661,638,333.86
Total comprehensive income attributable to parent company		2,720,372,967.43	2,113,641,603.95
*Total comprehensive income attributable to minority share-holders		-1,068,874,371.42	-1,452,003,270.09
<b>VIII、Earnings per share:</b>			
Basic earnings per share			
Diluted earnings per share			

Person responsible:

Person in charge of accounting function:

Person in charge of accounting department:

# Income Statement of the Parent Company

prepared by: China State Shipbuilding Corporation Limited

For the year ended December 31, 2017

Unit: RMB

Item	Notes	Year ended 31/12/2017	Year ended 31/12/2016
<b>I. Operation revenue</b>	XIII (3)	68,341,780.05	113,713,542.96
Less: Operation cost	XIII (3)	3,542,169.78	
Taxes and surcharges		849,383.30	3,866,626.88
Selling expenses			
Administrative expenses		216,908,919.71	283,734,223.09
Including: Research and development expenses		24,735,335.59	89,620,307.12
Party construction funds		314,318.07	143,000.00
Financial expenses		1,128,086,001.52	1,088,394,699.60
Including: Interests expenses		1,202,829,031.78	1,275,126,591.11
Interest income		87,188,703.76	183,903,252.18
Net loss on foreign exchange ("—" for net gain)		7,634,166.29	-8,403,647.79
Impairment on assets			
Add: gain from fair-value changes ("—" for loss)			
Investment income ("—" for loss)	XIII (4)	5,071,785,173.98	3,049,743,647.82
Including: investment income from associates and joint ventures		3,113,629,225.30	1,347,482,861.94
Gain on disposal of assets ("—" for loss)		794,099.24	
Other income			
<b>II. Operating profits ("—" for loss)</b>		3,791,534,578.96	1,787,461,641.21
Add: non-operating income		3,914,645.92	4,099,941.08
Including: Government grants		3,715,501.38	4,064,690.64
Gains on debt restructuring			
Less: Non-operating expenses		2,762,405.96	1,493,000.00
Including: Losses on debt restructuring			
<b>III. Profit before tax ("—" for loss)</b>		3,792,686,818.92	1,790,068,582.29
Less: Income tax		45,213,150.47	11,222,668.32
<b>IV. Net profit ("—" for net loss)</b>		3,747,473,668.45	1,778,845,913.97
Income from continuing operations		3,747,473,668.45	1,778,845,913.97
Income from discontinued operations			
<b>V. Other comprehensive income after tax</b>		234,090,000.00	182,945,021.12
1. Comprehensive income not to be reclassified as profit or loss			
(1) changes in remeasured defined benefit obligations or net assets			
(2) Portion of comprehensive income not to be reclassified as profit or loss under equity method			
2. Comprehensive income to be reclassified as profit or loss		234,090,000.00	182,945,021.12
(1) portion of comprehensive income to be reclassified as profit or loss under equity method			
(2) Gain or loss from fair value changes of available-for-sale financial assets		234,090,000.00	182,945,021.12
(3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
(4) Gain or loss on effective cash flow hedging			
(5) Currency translation reserve			
<b>VI. Total comprehensive income</b>		3,981,563,668.45	1,961,790,935.09
<b>VII. Earnings per share:</b>			
Basic earnings per share			
Diluted earnings per share			

Person responsible:

Person in charge of accounting function:

Person in charge of accounting department:

## Consolidated Cash Flow Statement

Prepared by: China State Shipbuilding Corporation Limited

For the year ended December 31, 2017

Unit: RMB

Item	Notes	Year ended 31/12/2017	Year ended 31/12/2016
<b>I. Cash flows from operating activities:</b>			
Cash received from sales and services		216,810,600,227.71	199,741,140,018.96
△Net increase in deposits and due from banks		10,931,274.10	582,534,211.10
△Net increase in borrowings from Central Bank			-102,261,126.64
△Net increase in placements from other financial institutions		-90,181,000.00	-7,223,000.00
△Premiums received from original insurance contracts			
△Net cash received from reinsurance business			
△Net increase in deposits from policyholders and investment funds			
△Net increase from disposal of financial assets at fair value through profit and loss			
△Cash received from interests, fees and commissions		854,423,595.94	930,296,182.08
△Net increase in placements from banks and other financial institutions			
△Net increase in repurchasing			
Refund of tax and levies		3,664,439,420.34	4,588,068,369.90
Other cash received relating to operating activities		10,608,598,001.04	12,358,904,593.16
<b>Subtotal of cash inflows from operating activities</b>		231,858,811,519.13	218,091,459,248.56
Cash paid for goods and services		201,403,902,981.58	210,937,567,375.87
△Net increase in loans and advances to customers		-126,174,630.63	-366,056,381.31
△Net increase in deposits with central banks and other financial institutions		47,767,429.49	-315,674,060.74
△Cash paid for indemnity of original insurance contract			
△Cash paid for interest, fees and commissions		9,665,623.28	7,164,366.06
△Cash paid for policy dividends			
Cash paid to and on behalf of employees		10,792,245,462.86	10,832,081,328.11
Payments of all types of taxes		2,652,848,835.72	3,241,711,427.34
Other cash payments related to operating activities		10,472,263,170.26	10,748,827,072.94
<b>Subtotal of cash outflows from operating activities</b>		225,252,518,872.56	235,085,621,128.27
<b>Net cash flows from operating activities</b>		6,606,292,646.57	-16,994,161,879.71
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		58,444,016,933.04	58,304,115,044.12
Cash received from investment income		914,101,592.72	1,518,499,143.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		77,965,010.08	627,982,782.49
Net cash received from disposal of subsidiaries and other business units		929,277.25	671,598,204.29
Other cash receipts related to investing activities		3,695,659,340.82	1,792,722,382.71
<b>Subtotal of cash inflows from investing activities</b>		63,132,672,153.91	62,914,917,556.80
Cash paid for fixed assets, intangible assets and other long-term assets		5,678,898,993.08	4,780,175,127.90
Cash payments for investments		57,317,862,203.57	68,215,920,273.39
△Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units		338.62	1,759,873,833.77
Other cash payments related to investing activities		2,252,293,048.12	751,513,633.61
<b>Subtotal of cash outflows from investing activities</b>		65,249,054,583.39	75,507,482,868.67
<b>Net cash flows from investing activities</b>		-2,116,382,429.48	-12,592,565,311.87
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investments		149,433,600.01	2,782,280,549.81
Including: cash received by subsidiaries from minority shareholders' investments		84,973,600.01	2,065,904,748.07
Cash received from borrowings		40,439,228,775.24	117,771,190,505.40
△Cash received from bond issues			
Other cash receipts related to other financing activities		12,954,360,717.69	17,794,195,880.92
<b>Subtotal of cash inflows from financing activities</b>		53,543,023,092.94	138,347,666,936.13
Cash repayments for debts		50,642,507,606.66	99,057,350,588.29
Cash payments for distribution of dividends, profit and interest payment		3,345,618,666.76	2,200,577,754.34
Including: dividends and profit paid by subsidiaries to minority shareholders		32,477,345.07	14,404,052.44
Other cash payments related to financing activities		4,816,128,696.91	10,915,365,329.42
<b>Subtotal of cash outflows from financing activities</b>		58,804,254,970.33	112,173,293,672.05
<b>Net cash flows from financing activities</b>		-5,261,231,877.39	26,174,373,264.08
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		-1,668,141,970.46	866,828,689.48
<b>V. Net increase in cash and cash equivalents</b>		-2,439,463,630.76	-2,545,525,238.02
Add: Beginning balance of cash and cash equivalents		57,867,878,222.25	60,413,403,460.27
<b>VI. Ending balance of cash and cash equivalents</b>		55,428,414,591.49	57,867,878,222.25

Person responsible:

Person in charge of accounting function:

Person in charge of accounting department:

## Cash Flow Statement of the Parent Company

Prepared by: China State Shipbuilding Corporation Limited

For the year ended December 31, 2017

Unit: RMB

Item	Notes	Year ended 31/12/2017	Year ended 31/12/2016
<b>I、Cash flows from operating activities:</b>			
Cash received from sales and services		61,450,786.71	116,682,931.00
Refund of tax and levies			
Other cash receipts related to operating activities		293,391,827.63	461,680,155.50
<b>Subtotal of cash inflows from operating activities</b>		<b>354,842,614.34</b>	<b>578,363,086.50</b>
Cash paid for goods and services			
Cash paid to and on behalf of employees		110,199,883.41	102,403,871.49
Payments of all types of taxes		13,307,252.06	368,299,447.03
Other cash payments related to operating activities		324,740,484.03	354,495,553.78
<b>Subtotal of cash outflows from operating activities</b>		<b>448,247,619.50</b>	<b>825,198,872.30</b>
<b>Net cash flows from operating activities</b>		<b>-93,405,005.16</b>	<b>-246,835,785.80</b>
<b>II、Cash flows from investing activities:</b>			
Cash received from disposal of investments		10,978,782,500.00	23,775,000,000.00
Cash received from investment income		1,735,143,058.49	2,171,285,664.83
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		875,942.60	
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
<b>Subtotal of cash inflows from investing activities</b>		<b>12,714,801,501.09</b>	<b>25,946,285,664.83</b>
Cash paid for fixed assets, intangible assets and other long-term assets		988,782.42	1,216,930.00
Cash payments for investments		4,752,723,456.92	26,109,980,736.44
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities			109,935.00
<b>Subtotal of cash outflows from investing activities</b>		<b>4,753,712,239.34</b>	<b>26,111,307,601.44</b>
<b>Net cash flows from investing activities</b>		<b>7,961,089,261.75</b>	<b>-165,021,936.61</b>
<b>III、Cash flows from financing activities</b>			
Cash received from absorbing investments			1,000,000,000.00
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		5,700,000,000.00	59,876,000,000.00
Other cash receipts related to other financing activities		7,277,017,928.00	4,669,951,121.26
<b>Subtotal of cash inflows from financing activities</b>		<b>12,977,017,928.00</b>	<b>65,545,951,121.26</b>
Cash repayments for debts		16,986,800,000.00	59,408,000,000.00
Cash payments for distribution of dividends, profit and interest expenses		1,731,367,214.36	1,676,613,945.49
Including: dividends and profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities		2,712,896,140.81	6,904,324,887.56
<b>Subtotal of cash outflows from financing activities</b>		<b>21,431,063,355.17</b>	<b>67,988,938,833.05</b>
<b>Net cash flows from financing activities</b>		<b>-8,454,045,427.17</b>	<b>-2,442,987,711.79</b>
<b>IV、Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V、Net increase in cash and cash equivalents</b>		<b>-586,361,170.58</b>	<b>-2,854,845,434.20</b>
Add: Beginning balance of cash and cash equivalents		3,940,476,403.74	6,795,321,837.94
<b>VI、Ending balance of cash and cash equivalents</b>		<b>3,354,115,233.16</b>	<b>3,940,476,403.74</b>

Person responsible:

Person in charge of accounting function:

Person in charge of accounting department:

# Consolidated Statement of Changes in owners Equity

For the year ended December 31, 2017

Unit: RMB

Item	Line	Year 2017												Minority interests	Total owner's equity
		Equity attributable to parent company													
		Paid-in capital	Other equity instruments		Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	ΔGeneral risk provision	Retained earnings	Others	Subtotal		
		Preferred stock	Perpetual debt												
I. Ending balance at Dec.31, 2016	1	25,500,000,000.00	-	-	15,823,513,661.40	-	295,298,325.87	64,881,662.88	2,330,139,839.63	-	19,671,940,472.84	-	63,685,773,962.62	19,676,830,028.37	83,362,603,990.99
Add: Changes in accounting policies	2														
Early error correction	3														
Others	4														
II. Beginning balance at Jan.1, 2017	5	25,500,000,000.00	-	-	15,823,513,661.40	-	295,298,325.87	64,881,662.88	2,330,139,839.63	-	19,671,940,472.84	-	63,685,773,962.62	19,676,830,028.37	83,362,603,990.99
III. Increase or decrease in the current year	6	6,500,000,000.00	-	-	-4,402,782,845.21	-	214,034,994.31	22,663,301.17	374,747,366.85	-	2,463,842,976.33	-	5,082,505,795.45	-997,997,675.07	4,084,508,120.38
(I) Total comprehensive income for the year	7						214,034,994.31				2,506,337,973.12		2,720,372,967.43	-1,068,874,371.42	1,651,498,596.01
(II) Capital contribution and reduction	8	-	-	-				-			36,015,938.16	-	1,674,604,216.66	97,692,901.77	1,771,297,118.43
1.Common shares contributed by owners	9				1,426,630,628.41						1,426,630,628.41		1,426,630,628.41	136,370,551.59	1,563,001,180.00
2.Capital contributed by holders of other equity instrument	10														
3.Share-based payments recognized in owner's equity	11														
4.Others	12				210,957,650.09						36,015,938.16		246,973,586.25	-38,677,649.82	208,295,936.43
(III) Provision and utilisation of special reserve	13	-	-	-			-	22,663,301.17				-	22,663,301.17	9,194,652.31	31,857,953.48
1.Provision for special reserve	14							230,037,744.61					230,037,744.61	61,051,257.06	291,089,001.67
2.Utilization of special reserve	15							207,374,443.44					207,374,443.44	51,866,604.75	259,231,048.19
(IV) Profit distribution	16	-	-	-	389,628,876.29		-				-78,510,932.95	-	665,865,310.19	-36,010,857.73	629,854,452.46
1.Appropriation of surplus reserve	17										-374,747,366.85				
Including: Statutory surplus reserve	18										-374,747,366.85				
Discretionary surplus reserve	19														
Reserve fund	20														
Enterprise expansion fund	21														
Capital redemption	22														
Provision for general risks	23														
3.Profit distributed to owners for shared	24														
4.Others	25				389,628,876.29								-218,150,706.00	-38,860,476.07	-257,011,176.07
(V) Transfers within owner's equity	26	6,500,000,000.00			-6,500,000,000.00		-				514,387,133.90		884,016,010.19	2,849,618.34	886,865,628.53
1.Transfers from capital reserves to paid	27														
2.Transfers from surplus reserves to paid	28														
3.Recover of loss by surplus reserve	29														
4.Changes in remeasurement of defined benefit net obligations/assets	30														
5.Others	31														
Ending balance at Dec.31, 2017	32	32,000,000,000.00	-	-	11,330,730,816.19	-	509,333,320.18	87,544,964.05	2,704,887,206.48	-	22,135,783,451.17	-	68,768,279,758.07	18,678,832,353.30	87,447,112,111.37

Person responsible:

REF:

REF:



# Statement of Changes in owners Equity (Parent company)

For the year ended December 31, 2017

Unit: RMB

Item	Line	Year 2017										
		Paid-in capital	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Others	Total owner's equity
			Preferred stock	Perpetual debt								
I. Ending balance at Dec.31, 2016	1	25,500,000,000.00	-	-	7,422,059,261.00	-	187,972,105.86	-	2,343,812,323.22	13,503,998,719.25	-	48,957,842,409.33
Add: Changes in accounting policies	2											
Early error correction	3											
Others	4											
II. Beginning balance at Jan.1, 2017	5	25,500,000,000.00	-	-	7,422,059,261.00	-	187,972,105.86	-	2,343,812,323.22	13,503,998,719.25	-	48,957,842,409.33
III. Increase or decrease in the current year ("-" for decrease)	6	6,500,000,000.00	-	-	-5,073,389,371.59	-	234,090,000.00	-	374,747,366.85	3,154,575,601.60	-	5,190,043,596.86
(I) Total comprehensive income for the year	7	-	-	-	-	-	234,090,000.00	-	-	3,747,473,668.45		3,981,563,668.45
(II) Capital contribution and reduction from owners	8				1,426,630,628.41	-	-	-	-	-		1,426,630,628.41
1.Common shares contributed by owners	9				1,426,630,628.41							1,426,630,628.41
2.Capital contributed by holders of other equity instrument	10				-							
3.Share-based payments recognized in owner's equity	11				-							
4.Others	12				-	-	-	-	-	-		
(III) Provision and utilisation of special reserves	13											
1.Provision for special reserve	14											
2.Utilisation of special reserve	15											
(IV) Profit distribution	16								374,747,366.85	-592,898,066.85		-218,150,700.00
1.Appropriation of surplus reserve	17								374,747,366.85	-374,747,366.85		
Including: Statutory surplus reserve	18								374,747,366.85	-374,747,366.85		
Discretionary surplus reserve	19											
#Reserve fund	20											
#Enterprise expansion fund	21											
#Capital redemption	22											
2.Provision for general risks	23											
3.Profit distributed to owners (or shareholders)	24									-218,150,700.00		-218,150,700.00
4.Others	25											
(V) Transfers within owner's equity	26	6,500,000,000.00	-	-	-6,500,000,000.00							
1.Transfers from capital reserves to paid-in capital (or share capital)	27	6,500,000,000.00			-6,500,000,000.00							
2.Transfers from surplus reserves to paid-in capital (or share capital)	28											
3.Recover of loss by surplus reserve	29											
4.Changes in remeasurement of defined benefit net obligations/assets	30											
5.Others	31											
IV. Ending balance at Dec.31, 2017	32	32,000,000,000.00	-	-	2,348,689,889.41	-	422,062,105.86	-	2,718,559,690.07	16,658,574,320.85	-	54,147,886,006.19

Person responsible:

Person in charge of accounting function:

Person in charge of accounting department:

# China State Shipbuilding Corporation Limited

## Notes to the Financial Statements

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

### 1. Company profile

1.1 The Company's registered place, organization structure and the address of head quarter.

China State Shipbuilding Corporation Limited (formerly known as China State Shipbuilding Corporation, hereinafter referred to as 'the Company', and uniformly referred to as "the Group" when including the subsidiaries), which was separated and restructured by the previous China Shipbuilding Industry Corporation, with the approval of the State Council, was established on July 1, 1999 and is a central enterprise directly managed by State-owned Assets Supervision and Administration Commission of the State Council (SASAC). On April 9, 2015, the Company obtained the reissued license of the business corporation of No. 100000000031917 from the Shanghai Administration for Industry and Commerce, with the registered capital of RMB 22 billion, as an enterprise owned by the whole people.

With the approval of the State Council's SASAC, China State Shipbuilding Corporation Limited completed the Company's restructuring system. On November 10, 2017, it completed the registration of industrial and commercial changes; the name of the Company has been changed from "China State Shipbuilding Corporation" to "China State Shipbuilding Corporation Limited", the registered capital of the Company has been changed from RMB 22 billion to RMB 32 billion.

By the end of 31 December, 2017, the Company's unified social credit code of business license is 91310000710924478P, with a registered capital of RMB 32 billion. The registered address is No. 1 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone. The address of the headquarters is No.9 South Shou ti Road, Haidian District, Beijing.

1.2 The Company's business nature and main operation activities

The Group belongs to the metallic shipbuilding industry. The main business scope includes: investment and operating management of state-owned assets; investment projects of ships and marine engineering; aquatic and underwater ship weapons, civilian ships, marine equipment, marine

engineering equipment, research, design, development, manufacture, repair, lease, and sales of machinery and electronic equipment; technology development of transforming marine technology and equipment into land type technology and equipment; outside shipping repair; property management; self-operation and agency of the import and export business of all kinds of goods and technology (except the goods and technology which the nation restricts the operation by the Company or which are prohibited to be imported and exported); operating import material processing and the ‘three to fill one’ business (which means that accepting customers’ materials for processing, processing according to buyer’s samples, and assembling parts supplied by clients and compensation trade); operating counter trade and entrepot trade; contracting overseas marine engineering projects and domestic international tendering engineering projects; dispatching service laborers for implementing the above overseas projects; technology development, technology transfer, technical services, and technical consultation. The main products of the Group include all kinds of marine equipment for military use, general oil carriers, all kinds of civilian ships and facilities such as bulk cargo carriers, chemical cargo ships, Ro-Ro passenger ships, large container ships, large liquefied gas tankers, large self-unloading ships, high speed ships, liquefied natural gas ships, and ultra-large scale oil tankers, etc., and ocean engineering projects such as ultra deepwater semi submersible drilling platforms, self-lifting type drilling platforms, large offshore floating production oil storage vessels, multi cables geophysical prospecting ships, deepwater engineering survey vessels, large scale semi submersible vessels, and subsea pipeline laying vessels, which are mainly used in the fields such as marine defense, marine transportation, marine development, and marine scientific research, etc.

### 1.3 The parent company and the name of the Group headquarters

The State Council exercises the rights of the contributors in accordance with the laws, the administrative regulations and the articles of association of the Company to ensure that the Company enjoys the operational autonomy in accordance with the laws, grants the authorization to the board of directors of the Company in accordance with the relevant provisions to exercise part of the powers of the contributors to decide on important matters of the Group corporation. The functional departments of the headquarters of the Company include: the general office, policies and regulations department, planning and development department, operation management department, human resources department, accounting and finance department, science and technology department,

military-industrial department, ships and marine engineering department, power and electrical machinery department, recently emerging industries department, quality and safety department, audit department, supervision department, party-masses relationship work department, work of retired cadres and workers department, etc. 304 subsidiaries included in the scope of consolidation, which consist of group headquarters, level two subsidiaries, level three subsidiaries, level four subsidiaries, level five subsidiaries and below.

#### 1.4 Approval of the issuance of the financial statements

The party who approved the issuance of the financial statements of the Group was the Broad of Directors. The approved date of issuance is April 24, 2018.

### **2. Basis of preparation of financial statements**

On the basis of going concern and transactions and events actually occurred, the Group prepares its financial statements with the following accounting policies and accounting estimates in accordance with the Accounting Standards for Business Enterprises – basic Standards, specific accounting standards and other relevant provisions (hereinafter collectively known as "Accounting Standards for Business Enterprises" or "CAS")

### **3. Declaration on compliance with the Accounting Standards for Business Enterprises**

The financial statements have been prepared in compliance with the <Accounting Standards for Business Enterprises> to truly and completely reflect the Company's financial position as of 31 December 2017 and its operating results, cash flows and other relevant information for the year ended 31 December 2017.

### **4. Significant accounting policies and accounting estimates**

Special notes: except for the specifically noted accounting policies related to 'Accounting Systems of State-run Institutions Conducting Military Industry Scientific Research' and 'Accounting Systems of Higher Educational Institutions' which are implemented by the affiliated state-run institutions, other notes are all accounting policies related to 'Accounting Standards for Business Enterprises', which are implemented by enterprises.

#### 4.1 Accounting period

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

#### 4.2 Functional currency

The functional currency of the Group and other subsidiaries is Chinese Yuan (“RMB”), except the following subsidiaries:

Name	Functional currency
China Shipbuilding Trading Co., Ltd (BVI)	USD
Flygt Shipping Co. Ltd.	USD
China Shipping New Energy (Singapore) Co. Ltd.	USD
China Shipbuilding Logistics (Hongkong) Co., Ltd.	USD
CEL Holding Company limited	USD
CSZ Shipping Company Limited	USD
CSH Shipping Company Limited	USD
CS Shipping Company Limited	USD
CSHA Shipping Company Limited	USD
CSHB Shipping Company Limited	USD
Hualian Shipping Co., Ltd.	HKD
Pan-China Equipment Co. Ltd.	HKD
Hua Guang Development Co. Ltd.	HKD
Hongkong Marvy Co., Ltd.	HKD
The Only Low-Cost International Co. Ltd.	HKD
Huachang International Shipping Co. Ltd.	HKD
CP Global Holdings Company	HKD
China Ship (Hongkong) Shipping Leasing Co. Ltd.	HKD
Rui Lin Marine Engineering Co., Ltd.	HKD
Chabridge Shipping Co. Ltd.	HKD
Winterthur Gas & Diesel AG	CHF

#### 4.3 Bookkeeping basis and measurement principles

The accrual basis is used as the basis of accounting, and historical cost is the measurement principle except for trading financial assets and part of available-for-sale financial assets, which are measured at the fair value.

#### 4.4 Business combination

##### 4.4.1 Business combinations involving enterprises under same control

The assets and liabilities obtained by the group as the acquirer under same control are measured at the book value on the combining date in the consolidated statement of the final control party. The difference between the book value of the net assets obtained and the book value of the combination consideration paid is adjusted against the capital reserve, and the retained earnings should be

deducted if the capital surplus is not enough.

#### 4.4.2 Business combinations involving enterprises not under same control

At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree not under same control are measured at the fair value on the combining date. The cost of acquisition is the total amount of the fair value of cash or non-cash assets, liabilities issued or assumed, equity investments issued, and all kinds of direct expenses paid to obtain the controlling right. (For the business combination realized through multiple steps, the acquisition cost is the total cost of each individual transaction.) The difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree will be recognized as goodwill. If not, the fair value of each identifiable asset, liability and contingent liability obtained in the combination, and the fair value of the non-cash asset or equity securities issued as the consideration of the acquisition will be reassessment. Then the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree will be recognized in the non-operating income during current period.

#### 4.5 Preparation of consolidated financial statements

##### 4.5.1 The scope of consolidated financial statements

The Group incorporates all its subsidiaries into the scope of the consolidated financial statements

##### 4.5.2 Principles, procedures and method to prepare the consolidated financial statements

If the subsidiaries adopt different accounting policies or accounting period compared with those of the Company, the Company shall make necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

All the significant internal transactions, related parties receivables and payables, and unrealized profits within the consolidation scope are offset when the consolidated financial statements are prepared. The portion in the shareholder's equity of the subsidiary not attributable to the parent Company and the portion of net profits or loss of current period, other comprehensive income and total comprehensive income of the subsidiary attributable to the minority shareholders' equity, are separately listed under the items of "minority equity, minority interest income, other comprehensive income attributable to minority interests, and total comprehensive income attributable to minority interests" of the consolidated financial statements.

For subsidiaries acquired from the business combination under same control, the operational results

and the cash flows of the subsidiary are included in the consolidated financial statements since the beginning of the current period of the consolidation. When preparing the comparative consolidated financial statements, the Group adjusts the related items of financial statements in the last year, treated as the reporting entity formed after the acquisition has been existed since the ultimate controlling party started to control.

At the situation where the Group obtains the share rights of the invested entity under same control through multiple steps to realize the business combination ultimately, when preparing the consolidated financial statements, it is treated as the adjustments are made in the current state since the ultimate controlling party started to control. When preparing the comparative financial statements, taking the time point not earlier than the time when the Group and the acquired party are under the same control of the ultimate controlling party, the related assets and liabilities of the acquired party are incorporated into the comparative statements of the consolidated financial statements of the Group, and the net assets increased from the combination are adjusted into the related items under the sector of shareholder's equity of the comparative financial statements. To avoid the double calculation of the net assets value of the acquired party, the long term equity investments held by the Group, the recognized profits and losses, and the changes in the other comprehensive and other net assets between the later one of the two dates, which are the date of acquiring the original share right, and the date when the Group and the acquired party are under the control of the same ultimate party, should be off-set against the beginning balance of the retained earnings and the current profit or loss of the period of the comparative financial statements separately.

For subsidiaries acquired from the business combination not under same control, the operating results and cash flows since the date when the Group obtains the controlling right are included in the consolidated financial statements. When preparing the consolidated financial statements, the Group makes adjustments on the financial statements of the subsidiary based on the fair value of each identifiable asset, liability and contingent liability determined on the date of acquisition.

For the situation where the Group obtains the share rights in the invested entity not under common control through multiple steps of transactions, and forms the business combination ultimately, when preparing the consolidated financial statements, as to the share rights in the purchased party held before the date of acquisition, the share right should be remeasured based on its fair value on the date of acquisition. The difference between the fair value and its book value should be recognized



into the current profit or loss. The share rights of the acquired party held before the date of acquisition, related to the other comprehensive income recognized under the equity method, and other changes in the shareholder's equity caused not by changes in net profits and losses, other comprehensive income and profit distribution, are transferred to profit and loss on investment in the period of purchase, except for the other comprehensive income generated from the change in net liabilities or net assets due to the remeasruement of defined benefit plans of the invested party.

For a transaction in which the Group disposes a portion of the long term equity investment but not losing the control of the subsidiary, when preparing the consolidated financial statements, the Group makes adjustments to the capital premium or share premium to reflect the difference between the cost of disposal and the entitled portion of the net assets in the subsidiary calculated continuously since the date of acquisition or the date of combination related to the long term equity investment disposed. If the capital reserve is insufficient to be offset, the retained earnings are adjusted.

For the situation of losing the controlling right to the invested party due to reasons such as disposing a portion of the share right, when preparing the consolidated financial statements, for the rest share right, the Group remeasures the investment according to the fair value on the date when the Group loses the controlling right. The difference from the total value of the consideration received from disposal plus the fair value of the rest share right minus the entitled portion of the net assets of the subsidiary by continuous calculation starting from the date of acquisition or the date of combination according to the original shareholding percentage, should be recorded into the profit or loss on investment in the period of loss contral. Meanwhile, goodwill is written off. The other comprehensive income relatd to the original equity investment in the subsidiary should be transferred into the current period investment income or loss when losing the controlling right.

For the situation of losing controlling right due to multiple steps of transactions to dispose the share right of a subsidiary by the Group, if each transaction of disposing the equity investment in the subsidiary until losing the controlling right belongs to a package deal, the Group treats all the transactions as one transaction of disposing the subsidiary until losing the controlling right. However, the difference between each disposal consideration and the entitled portion of the net assets in the subsidiary of each transaction happened before losing the controlling right should be recognized as other comprehensive income in the consolidated financial statements, and are transferred into current profits and losses when losing the controlling right.

#### 4.6 Joint arrangement classification and accounting treatments

#### 4.6.1 The classification of joint arrangement

Joint arrangements of the group are classified as joint operations or joint ventures.

#### 4.6.2 The accounting treatment of joint operations

As the joint operating party of the joint venture arrangement, the Group recognizes the assets separately owned and assumed liabilities, and recognizes the assets held and liabilities assumed according to the portion. According to the related agreement, the Group recognizes the related income and expense separately or by portion. For the transactions of purchase and sales of the assets not consisting of business incurred with the joint venture operation, only recognize the profits and losses generated due to such transaction attributable to the portion of other parties in the joint venture operation.

#### 4.6.3 The accounting treatment of joint ventures

The parties participating in a joint venture check and calculate its investment in accordance with Accounting Standards for Business Enterprises No.2 - Long-term Equity Investment. The other parties involving in joint ventures not in same control shall check and calculate their investments according to extent of their influence on the joint ventures.

#### 4.7 Cash and cash equivalents

The cash in the Group's statement of cash flows is cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the statement of cash flows are short-term no more than 3 months, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### 4.8 Foreign currency transactions and translation of financial statements denominated in foreign currency

##### 4.8.1 Translation of foreign currency transactions

Foreign currency transactions of the Group are translated into RMB amount at the spot exchange rate on the date when the transaction happens. On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. The exchange difference generated is all recognized into current profit or loss, except for: (1) that the exchange difference caused by special funds borrowed to purchase, construct or produce assets qualified for capitalization, is treated according to the principle of capitalization; (2) that the exchange difference from the hedge instrument executed to avoid the risk of foreign exchange is treated according to the accounting method of hedge.

#### 4.8.2 The translation of financial statements denominated in foreign currency

For the financial statements of overseas operating entities included in the scope of consolidation, the Group translates them into RMB financial statements to prepare the financial statements.

(1) The asset and liability items of the foreign currency balance sheet are translated in accordance with the spot exchange rate on December 31, 2017; Owners' equity items except for 'retained earnings' are translated according to the spot exchange rate when the business incurs.

(2) The income and expense items of income statement are translated in accordance with the average spot exchange rate of January 1, 2017 and December 31, 2017.

(3) The above translation differences generated from the translation of foreign currency financial statements are listed separately in the items of owners' equity.

(4) Foreign currency cash flows are translated in accordance with the average amount of the spot exchange rate on January 1, 2017 and December 31, 2017. The impact of exchange rate changes on cash is presented separately in the statement of cash flows.

#### 4.9 Financial instruments

##### 4.9.1 Financial assets

A financial asset or a financial liability is recognized when the Group becomes a party of a financial instrument contract.

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

The Group classifies the owned financial assets into financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, receivables and available-for-sale financial assets based on the purpose of investments and the economic nature.

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated at fair value through profit or loss when initially recognized. The Group classifies a financial asset qualified for one of the following conditions as a trading financial asset: 1) the purpose to acquire the financial asset is for sale within a short period; 2) the financial asset belongs to a portion of an identifiable financial instrument portfolio managed collectively, and object evidence indicates that the Group adopts the method of obtaining short term profits to manage the portfolio recently; 3) The financial asset belongs to the derivative instrument, but a derivative instrument is excluded if the instrument is designated as a derivative instrument of effectively hedging instrument, a derivative instrument belonged to a derivative instrument financial guaranty contract, and a derivative instrument pegged to an equity instrument which does not have a quotation in an active

market, of which the fair value cannot be measured reliably, and which must be delivered in the settlement of the derivative instrument. Only when a financial asset is qualified with one of the following conditions, can the Group designates it as a financial asset at fair value through profit or loss when initially recognized: 1) Such designation can eliminate or significantly reduce the situation of inconsistency in the recognition or measurement of related gain or loss resulted from the difference of measurement basis of such financial asset; 2) The formally written document of the Group of risk management or investment strategy has indicated that the portfolio of the financial instrument is managed, evaluated and reported to the key management staff based on fair value; 3) Includes one or multiple hybrid instruments containing embedded in derivatives, unless the embedded derivative instrument does not significantly change the cash flow of the hybrid instrument, or the embedded instrument obviously should not be split from the related hybrid instrument; 4) Includes hybrid instrument containing embedded into derivative instruments which needs to be split but cannot be measured separately at the time of acquisition or the subsequent balance sheet date. Such category of financial assets designated by the Group mainly includes stocks, funds and partial foreign currency forward contracts. For this category of financial assets, the Group adopts fair value for the subsequent measurement. The change in fair value is recognized into the profit or loss from changes in fair value. The interest or cash dividend received when holding the asset is recognized as investment income. When disposed, the difference between the fair value and the initial entry value is recognized as profit or loss from investment and the profit or loss from changes in fair value is adjusted at the same time.

Held-to-maturity investments refer to the non-derivative financial assets with fixed date of maturity and fixed or determinable recoverable amount that the Group has a positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective rate of interest method. The gain or loss generated from amortization, or impairment and de-recognition is all recognized into current profit or loss.

Receivables refer to the non-derivative financial assets with fixed or determinable recoverable amount that do not have a quotation in an active market. Receivables are subsequently measured at amortized cost using the effective rate of interest method. The gain or loss generated from amortization, or impairment and de-recognition is all recognized into current profit or loss.

Available-for-sale financial assets refer to the non-derivative financial assets that are either designated as available-for-sale financial assets and financial assets not classified into other

categories. In the category of such assets, the equity instrument investments which do not have a quotation in an active market and the fair value cannot be reliably measured and the derivative financial assets which are pegged to such equity instrument and must be settled by the delivery of such equity instrument are subsequently measured at costs. Other assets which have a quotation in the active market or although do not have an active market quotation but the fair value of such asset can be reliably measured are measured according to the fair value. The change in fair value is recognized into other comprehensive income. For such category of financial assets which the fair value is adopted to conduct the subsequent measurement, except for the impairment loss and the exchange gain or loss generated from the foreign currency monetary financial assets, the changes in fair value of available-for-sale is directly recognized into shareholder's equity. When the financial assets are de-recognized, the accumulative amount of changes in fair value previously recognized into equity is transferred into current profit or loss. Interests of available-for-sale debt instrument calculated according to the effective rate of interest method during the holding period and the cash dividends declared and distributed by the invested entity related to the investments of available-for-sale equity instrument are recognized as investment income into current profit or loss. The equity instrument investments which do not have a quotation in an active market and the fair value cannot be reliably measured are measured at costs.

(2) Determination basis and measurement method of financial asset transfer

Financial assets meeting one of the following conditions shall be de-recognized: ① the contract right to collect the cash flows of the financial asset has been terminated; ② the financial assets have been transferred and the Group has substantially transferred all the risks and rewards on the ownership of the financial asset to the party of transferee; ③ the financial assets have been transferred, although the Group has neither transferred nor retained almost all the risks and rewards on the ownership of the financial asset, the Group has waived the control over the financial assets.

Where the Company neither transfers nor retains almost all the risks and rewards on the ownership of the financial asset, if the control over the financial assets is also not waived, then the relevant financial assets should be recognized according to the extent to which the Company continuously involves in the transferred financial assets, and the relevant liabilities should be recognized correspondingly.

If the entire transfer of the financial assets meets de-recognition conditions, the difference between the book value of the transferred financial assets and the sum of the consideration received from the

transfer and the accumulated amount of changes in fair value previously recognized in other comprehensive income should be recognized into current profit or loss.

Where the partial transfer of the financial assets meets the de-recognition conditions, the carrying amount of the transferred financial assets should be allocated between the derecognized and non-derecognized portions according to their corresponding fair value respectively; and the balance between the sum of the consideration received from the transfer and the accumulative amount of changes in fair value which was previously recognized into other comprehensive income of the derecognized portion and the aforementioned allocated carrying amount should be recognized into current profit or loss.

(3) Test method and accounting treatment method of financial asset impairment

The Group examines the book value of other financial assets other than the financial assets at fair value through profit or loss at the balance sheet date. Impairment provision of financial assets is accrued when objective evidence indicates that an item of financial asset incurs impairment.

When the financial assets measured at amortized cost incurs impairment, the impairment provision is accrued at the difference by which the present value of its estimated future cash flows (excluding future credit loss that has not incurred) is lower than the book value. If there is objective evidence indicating that the value of the financial asset is recovered and the recovery is objectively related to matters incurred after the impairment was recognized, the previously recognized impairment loss is reversed and recognized into current profit or loss.

When the financial assets available for sale incurs a decline in the fair value to relatively large degree or a non-temporarty decline, the accumulated loss that was directly recorded in shareholder's equity previously formed due to the decline of fair value are transferred out and recognized as impairment loss. For the available-for-sale investment on debt instruments on which the impairment loss has been recognized, if in the subsequent period, its fair value increases and the increase is objectively related to an event incurred after the impairment loss was recognized, the previously recognized impairment loss is reversed and recognized into current profit or loss. For an investment in an equity instrument classified as available-for-sale equity on which impairment loss has been recognized, the increase in its fair value in a subsequent period is directly rercognized into shareholder's equity. The impairment loss accrued on equity instrument investments which do not have quotations in an active market and the fair value cannot be reliably measured cannot be reversed in the subsequent period.

Recognition criteria of the impairment of available-for-sale equity instruments: On the balance sheet date, the available for sale financial asset impairs if any of the below situations is met, and the impairment provision is accrued at the amount by which the fair value is lower than the acquisition cost and recognized in the current profit or loss: ① The fair value is lower more than 40% of the acquisition cost on the balance sheet date (with the temporary loss more than 60%). ② At the balance sheet date, the fair value at the end of each month are lower than 70% of acquisition cost or more for 6 consecutive months (with the temporary loss more than 30%). ③ At the balance sheet date, the fair value at the end of each month is lower than 80% of acquisition cost or more (with the temporary loss more than 20%) for 24 consecutive months.

The second-level investment companies that sign agreements with commercial banks, securities companies, trust companies to purchase financial assets, such as financial products, asset management plans, trust schemes, etc., which are recognised according to the amortized cost, should implement impairment tests for each product at the date of balance sheet. For products with no impairment evidence during the aforementioned tests, impairment provision should be accrued according to 1-5% of the ending balance of those financial assets.

The second-level financial companies that sign agreements with commercial banks, securities companies, trust companies to purchase financial assets, such as financial products, asset management plans, trust schemes, etc., which are recognised according to the amortized cost, should implement impairment tests for products which are individually significant at the date of balance sheet. For those products with no impairment evidence during the aforementioned tests, impairment provision should be accrued according to the market situation, from 5-35%, of the ending balance of them by investment portfolio.

#### 4.9.2 Financial liabilities

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

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

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities at fair value through profit or loss designated at the initial recognition. For such financial liabilities, subsequent measurement should be performed based on fair value. Gains or losses arising from the changes of fair value as well as the dividend and interest expenditures related to the financial liabilities should be included into current profit or loss.



Other financial liabilities, which are mainly accounts payable generated from purchase of goods, long-term and short-term loans, long-term payables, etc. are subsequently measured at amortized cost using the effective rate of interest method.

(2) Conditions to terminate the recognition of financial liabilities

Where the current obligation of financial liability has been terminated entirely or partially, the Group terminates the recognition of such financial liabilities or obligations of the released part. For the situation when the Company signs agreements between the creditors, to replace the currently existed financial liabilities by the method of assuming new financial liabilities, and when the contract clauses of the new financial liabilities are different in nature with those of the current financial liabilities, stop to recognize the currently existed financial liabilities, and recognize a new financial liability at the same time. For the situation when the Company makes substantial amendments to all or part of the contract clauses of the currently existed financial liabilities, terminate the recognition of the currently existed financial liabilities or a portion of such liabilities, and recognize the financial liability after the change of the contract clauses as a new financial liability at the same time. The difference between the book value of the derecognized part and the paid consideration shall be included into current profit or loss.

4.9.3 Determination methods on fair value of financial assets and financial liabilities

The Group adopts the fair value of the prices in the primary market to measure financial assets and financial liabilities. When a primary market does not exist, use the most favorable market prices to measure the fair value of financial assets and financial liabilities, and adopt the valuation techniques which are applicable at that time and which are with the sufficient available date and other information to support. The input value used in fair value measurement is classified into three levels. Namely the first level input value is the unadjusted quotation in the active market which can be obtained on the date of measurement for the same assets or liabilities. The input value of the second level is the directly or indirectly observable input value of the related assets or liabilities other than the input value of the first level. The third level input value is the non-observable input value of the related assets or liabilities. The Group preferably adopts the input value of the first level, and adopts the input value of the third level lastly. The first level input value is adopted for the stocks and funds. The second level input value is adopted for the foreign currency forward agreements. The level which the measurement results of fair value belong to is determined by the lowest level to which the input value that is significant to the entire fair value measurement belongs.

#### 4.10 Hedging instruments

The hedging business of the Group includes the fair value hedges, cash flow hedges, and net investment in overseas operation hedges. When the hedge business is qualified for the following conditions, recognize the result from off-setting the changes of fair value of hedge instrument and the hedged items during the same accounting period into current profit or loss.

4.10.1 When the hedge starts, a formal designation about the hedge relationship (namely, the relationship between the hedging instrument and the hedged item) is provided, and the formal written documents about the hedging relationship, the objectives of risk management and the hedging strategies are prepared. Such documents should at least state clearly the contents such as hedge instrument, the hedged item, the nature of the hedged risk and the evaluation method on the effectiveness of the hedge, etc. The hedge must be related to the risks which are specifically identifiable and are designated, and will impact the profit or loss of the enterprise ultimately;

4.10.2 Such hedge is expected to be highly effective, and is qualified for the risk management strategies originally determined by the Group for such hedging relationship;

4.10.3 For the cash flow hedges of the estimated transactions, the estimated transactions should be likely to happen, and must make the Group to face with the risks of cash flow changes which will impact the profit or loss ultimately;

4.10.4 The effectiveness of hedging can be measured reliably;

4.10.5 The Group continuously evaluates on the effectiveness of the hedge, and ensures that such hedge is highly effective during the accounting period in which such hedging relationship is designated.

To avoid the risk of foreign currency, the Group offsets as much as possible the risks generated due to the change of foreign exchange rate, namely the risks which the loss of foreign exchange rate cannot be locked and which the future revenue is uncertain, develops the finance derivative business (hedges) to lock the change of foreign exchange rate risk on the USD ship progress payment to be collected in the future period through the forward settlement of exchange (including the extension of forward settlement of exchange), fixes the exchange loss of the corporate USD revenue, and adopts the treatment method of hedge accounting.

The Group designates the hedged item as the determined commitment (the USD ship progress payment which will be collected in the future at a certain amount). The corresponding hedging instrument is the foreign currency forward contract signed with the counterparty banks to avoid the

foreign exchange risks. The estimated fair value gain or loss on the foreign currency forward contract generated due to the changes of foreign exchange rate is offset the gain or loss of the determined commitment generated due to the exchange rate changes.

The Group takes the comparison method of the main clauses of the contracts (agreements) to make the prospective evaluation on the effectiveness of the hedges. At the end of the reporting period, the Group takes the ratio analysis method to make the retrospective evaluation on the effectiveness of the hedges.

#### 4.11 Trade receivables

The Group adopts the following conditions as the criteria for provision for bad debts on receivables: the debtor entities are dissolved, bankrupt, insolvent, in significant difficulty in cash flows, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; debt entities are defaulted on the debt obligations for more than five years; other conclusive evidences indicating that the debts are indeed not recovered or not likely to be recovered.

The allowance method is adopted to measure the bad debt loss likely to incur. At the end of the period, impairment tests are implemented on individual or portfolio basis. Provision for bad debts is recognized into the current profit or loss. When there are conclusive evidences indicating that the receivable are indeed unable to be recovered, such receivable is treated as the loss of bad debts and is written off against the bad debt provision after such receivable is approved through the stipulated procedures by the Group.

##### 4.11.1 Provision of doubtful debts allowance for individually significant receivables

Criteria of individually significant receivables	Balance reaches or exceeds RMB ¥1,000,000 (shipbuilding enterprises) or RMB ¥300,000 (other enterprises) and signs of impairment existed; or balance reaches or exceeds 5% of the total balance of such class of receivables
Method of provision for doubtful debts allowance of individually significant receivables	Provision for bad debts is accrued according to the difference from the present value of future cash flows less than its book value

Note: The judgement standard of the individually significant receivables of the level two entity, CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) is: individual amount more than RMB 10 million. The judgement standard of the individually significant receivables of the level two entities, CSSC Steel Structure Engineering Co., Ltd (a listed company) is: receivables with the ending balance more than RMB 1 million and with the evidence of impairment existed, or the ending balance greater than 5% of the total balance of receivables in the same category. The judgement standard of the individually significant receivables of the level two entity China CSSC Holdings Limited (a listed company) is: the top five clients according to the balance of accounts receivable.

4. 11.2 Receivables that are provided for doubtful debts allowance on portfolio of credit risk characteristics basis

Basis to determine the portfolios	
Related party receivables	The amounts of related party receivables are classified to a portfolio by the credit risk characteristics
Receivables determined to be recoverable basically	Amounts such as recovered during the period subsequent to the balance sheet date, allowance receivable, and petty cash of workers, etc. which are determined to be recoverable basically or the risk of recoverability is minimal
Percentage of balance portfolio	The level two entity, CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) combines receivables that are individually tested to be not impaired with other receivables that are of individually insignificant amount into one portfolio
Receivables from state-run institutions	Receivables from state-run institutions are classified as a portfolio by the credit risk characteristics
Portfolio of aging	Classify the portfolios by taking the aging of receivables as the credit risk characteristics
Accrual method of bad debt provision by portfolios	
Related party receivables	If no evidence of impairment existed, the impairment test is not performed and no provision for bad debts is accrued. If the evidence of impairment existed, the impairment test is implemented and the provision for bad debts is accrued based on the amount by which the present value of future cash flows is less than its book value.
Receivables determined to be recoverable basically	No provision for bad debts is accrued
Percentage of balance portfolio	The level two entity CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) accrues the bad debt provision for the receivables individually tested to be not impaired, by combining such receivables with other receivables with individually insignificant amounts according to the 0.5% of the balances at the balance sheet date.
Receivables from state-run institutions	No provision for bad debts is accrued
Portfolio of aging	Bad debts provision is accrued according to the aging analysis method

Portfolios that aging analysis is used for calculation of the doubtful debts allowance:

Aging	Allowance percentage for accounts receivables of shipbuilding corporation (%)	Allowance percentage for accounts receivables of non shipbuilding corporation (%)
Within 6 months (including 6 months)	0	0
6-12 months (including 12 months)	0.5	0.5
1-2 years	10	30
2-3 years	30	60
3-4 years	50	100
4-5 years	80	100
More than 5 years	100	100

Note: The accrual percentage of the level four enterprises CSSC Shenghui Equipment Co., Ltd is as following:

Aging	Within 6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Percentage	0%	5%	10%	30%	50%	80%	100%

#### 4.11.3 Provision of doubtful debts allowance for individually insignificant receivables

Criteria of individually insignificant receivables	The amount of receivables does not take up a high portion, and the risk characteristics cannot be reflected sufficiently when put into a combination
Method of provision for doubtful debts allowance of individually insignificant receivables	Bad debts provision accrued according to the balance of difference from the present value of future cash flows lower than its book value,

#### 4.12 Inventories

The inventories of the Group mainly include raw materials, wrappages, low-valued consumables, work in process, finished goods and unsettled engineering projects, etc.

The perpetual inventory system is executed to the inventories. Inventories are measured at the actual cost when acquired; for inventories with the similar properties and uses, adopt the same cost calculation method to determine the cost of inventories delivered. For inventories which cannot be substituted for use, inventories acquired or manufactured for a specific project and the cost of providing services, the specific identification method is adopted to determine the cost of inventories issued. The weighted average method (moving weighted average method or one time weighted average method at the end of month) is generally adopted for other inventories. Under special circumstances where the situation is approved by the board of directors of the enterprise or the similar organ of authority and is put on record by reporting the case to the Group Corporation of CSSC, FIFO method can also be applied to determine the actual cost. One-time-written-off method or five-five-split amortization method is adopted to amortize the turnover materials (including low-value consumables and packaging materials).

At the end of the period, inventory is measured according to the principles of the lower of the cost and the net realizable value. Accrued the inventory falling price provision on the portion of inventory cost expected to be uncollectible for the reasons such as the inventories which are suffered damages, entirely or partially obsolete, or which the selling price is lower than the cost. The inventory falling price provision on merchandise inventory and the bulk raw materials is accrued according to the difference by which the cost of each individual inventory is higher than the net realizable value. For raw and auxiliary materials which are large in quantities and with a relatively low unit price, the inventory falling price provision is accrued based on the category.

The net realizable value of these inventories, such as finished goods, work in process and materials for sale, is determined by deducting the estimated estimated sales expenses and relevant taxes from

the estimated selling price. The net realizable value of material inventories held for production is determined by deducting the cost estimated to incur until the completion, the estimated sales expense and the relevant tax and fees from the estimated selling price of the finished goods produced.

#### 4.13 Long-term account receivables

For the long-term receivables generated from sales of goods or rendering of service by adopting the deferred method with a nature of financing, the discounted present value of the price of contract or agreement (by deducting the unrealized finance income from the receivable contract or agreement price) should be taken as the initial entry value. Long term receivables generated from the financing lease, the initial entry value is the sum of the minimum lease receipts as at the lease starting date and the initial direct costs. Unrealized financing income is the difference between the total number of the minimum lease receipts, the initial direct costs and the non-guaranteed residual value and the sum of their present value.

At the end of the period, the long-term account receivables are individually tested for impairment. Recognize the impairment loss and accrue the bad debts provision according to the difference by which the present value of future cash flows is less than its book value.

#### 4.14 Long-term equity investments

##### 4.14.1 Judgements to determine the control, joint control or significant influence over the invested entity

Long-term equity investments of the Group mainly include equity investments in entities over which the Group can implement control and significant influence; and the equity investments to its joint ventures.

Control refers that the Group has the right to the invested party by participating the related activities of the invested party to entitle the variable returns and has the ability to use its right over the invested party to affect the amount of return.

Joint control is the control jointly owned to a certain arrangement according to the related agreement, and the related activity under the arrangement must be unanimously agreed by the parties sharing the controlling right to be determined. Joint venture arrangement refers that an arrangement together controlled by two or more parties. A joint venture enterprise refers to a joint venture arrangement under which the parties are only entitled to the right of the net assets of the arrangement.

Significant influence refers to the situation when the investor has the power to participate in the decision-making of the financial and operating policies of invested party, but not able to control or

jointly control, together with other parties, the formulation of these policies. The determination criteria of the significant influence mainly is that the Group designates representatives in the board of directors or the similar authority in the invested entity to implement the significant influence through the right to speak in the determination process of financial and operational policies in the invested entity to impact significant influence. When the Group directly or indirectly owned 20% or more but less than 50% of shares with voting rights in the investee company through subsidiaries, significant influence cannot be formed where there is objective evidence indicating that the Group is incapable of participating in the decision-making of operating policies in the invested entity. When determining whether can impact significant influence in the invested entity, the Group will not only consider the voting share in the invested entity directly or indirectly held, but also consider the potential voting right held by the Group and other parties which is conductible in the current period based on the assumption that the right is converted into the share equity right of the invested entity, such as the impact of convertible stock warrants which can be converted in the current period, stock options and the convertible corporate bonds, etc. issued by the invested entity.

#### 4.14.2 Cost determination, subsequent measurement and profit recognizing method of long-term equity investments

The initial investment cost is determined according to the share entitled in the book value of the shareholder's equity of the acquired party in the consolidated financial statements of the ultimate controlling party on the date of acquisition by way of paying cash, transferring non-cash assets or assuming liabilities as the consideration of the combination. The difference between the initial investment costs and the cash paid, non-cash assets transferred and the book value of the liabilities assumed is adjusted to the share premium in the capital reserve. If the share premium in the capital reserve is insufficient to offset, then adjust the retained earnings.

When the Group issues the equity securities as the consideration of the combination, the initial investment cost is determined according to the share entitled in the book value of the shareholder's equity of the acquired party in the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial investment cost of the long-term equity investment and the total face value of the share issued is adjusted to the share premium of the capital reserve. If the share premium in the capital reserve is insufficient to offset, then adjust the retained earnings.

For the business combination not under the same control: the Company adopts the cost of acquisition



determined on the date of acquisition as the initial investment cost of the long-term equity investment.

The intermediary fees incurred for the business combination by the purchaser such as audit, legal service, and valuation and consulting fees and other related management fees are recognized into current profit or loss when incurred. The transaction costs incurred for issuing the equity securities or debt securities as the combination consideration should be recognized into the initial recognized amount of the equity securities or the debt securities.

For long-term equity investments acquired by way other than the aforementioned methods, for the long-term equity investments acquired by paying cash, the purchase price actually paid is adopted as the investment cost. For long-term equity investment acquired by issuing equity securities, the fair value of the equity securities issued is adopted as the investment cost. For long-term equity investments injected by the investors, the investment cost is determined as the agreed value stipulated in the investment contracts or agreements. For long-term equity investments acquired by way of debt restructuring, non-monetary assets exchange, etc. the investment cost is determined according to the stipulations of the related accounting standards.

The Group adopts the cost method to measure the long-term equity investments over which the Group can conduct control to the invested entities. For joint ventures and associate enterprises, the Group adopts the equity method for the measurement.

When adopting the cost method in measurement, the long-term equity investments are valued at the initial investment cost, and adjustments are made to the cost of the long-term equity investment when additional capital is made or capital is withdrawn. The declared and distributed profit or cash dividend is recognized as investment income.

When using the equity method, the difference by which the initial investment cost is greater than the entitled fair value of the identifiable net assets in the invested entity shall not be adjusted to the initial investment cost of the long-term equity investment. If the difference by which the initial investment cost is less than the entitled fair value of the identifiable net assets in the invested entity, the difference is recognized into current profit or loss. Meanwhile, the investment cost of long-term equity investment is adjusted. After acquiring the long-term equity investments, according to the entitled or shared portion of the net profit or loss and other comprehensive income in the invested entity, the Group recognizes investment income and other comprehensive income respectively. Meanwhile, the Group adjusts the book value of the long-term equity investments. For the entitled

portion calculated by the investors in accordance with the declared and distributed profits or cash dividends by the invested company, reduce the book value of the long-term equity investment accordingly. For the other changes in the shareholder's equity except for the net profit or loss, other comprehensive income and profit distribution in the invested company, adjustments are made to the book value of the long-term equity investment and are recognized into the shareholder's equity. When recognizing the entitled share in the net profit of the invested entity, adopting the fair value of each identifiable asset in the invested entity as the basis, according to the accounting policies and accounting period of the Group, adjustments are made to the net profit of the invested entity, and the unrealized profit or loss in the internal transactions between joint ventures and associate enterprises is offset according to the portion attributable to the investor enterprise which is calculated based on the entitled portion in the invested entity to recognize the investment income.

#### 4.14.3 Change in the sub-classification of the long-term equity investments

For the situation where the Group can conduct joint control or significant influence but not constituting control due to reasons such as making an additional investment, the fair value of equity investment in the available-for-sale financial assets previously held plus the newly added cost of investment is recognized as the initial investment cost under the equity method. The difference between the fair value and the book value, and the accumulated change in fair value previously recognized into the other comprehensive income is transferred into the current profit or loss under the equity method. Regarding the difference between the aforementioned initial investment cost calculated, and the fair value of the identifiable net assets entitled in the invested entity at the date of contributing the additional investments which is calculated according to the new shareholding ratio after making the additional capital investment, if the former amount is greater than the latter amount, no adjustment is made to the book value of the long-term equity investment. If the former amount is less than the latter amount, the difference is adjusted to the book value of the long-term equity investment and is recognized into the current period non-operating revenue.

For the long-term equity investments over which the Group can conduct control to the invested entity not under same control due to reasons of making an additional investment, when preparing the individual financial statements, the Group adopts the book value of the equity investment previously held plus the newly added investment cost as the total amount of the initial investment cost when changed to the measurement under the cost method. When disposing the investment, the other comprehensive income recognized under the equity method of the equity investment owned before

the date of acquisition is treated according to the accounting method on the same basis which is adopted by the invested entity when such entity disposes the related assets or liabilities directly. Regarding the accounting treatment of the financial assets classified as available-for-sale financial assets previously held before the date of acquisition, the accumulated fair value changes recognized into the other comprehensive income is transferred into the current profit or loss when changed to be measured under the cost method.

In the situation where the Group does not joint control or no longer has significant influence over the invested entity due to the reasons such as disposing a portion of the equity investment, the rest share equity after the disposal is classified as the available-for-sale financial asset. The difference between the fair value at the date when the Group loses the joint control or the significant influence and the book value is reconigzed into the current profit or loss. The other comprehensive income of the previous equity investment recognized under the equity method is treated according to the accounting treatment same to the basis adopted by the invested entity to directly dispose the related assets or liabilities when terminating the measurement under the equity method;

In the situation where the investor party loses the control to the invested entity due to the reasons such as disposing a portion of the equity investment, when preparing the individual financial statemetns, if the rest share equity can impose the joint control or significant influence over the invested entity after the disposal, the equity method should be adopted and adjustments should be made to the rest portion of share equity as if the equity right were to be measured since acquired under the equity method. If the rest portion of the share equity after the disposal cannot impose the control or significant influence over the invested entity, the investment is reclassified into the available-for-sale financial assets, the difference between the fair value on the date when losing the right of control and the book value is recognized into current profit or loss.

#### 4.14.4 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 recognized as the current period investment income. For long-term investments accounted for under the equity method, when disposing the investments, the Group adopts the same basis as the basis adpted by the invested entity to directly dispose the related assets or liabilities, and makes the related accounting treatment to the portion previously recognized into the other comprehensive income according to the corresponding percentage.

#### 4.15 Entrusted loans

The pricing and revenue recognition method of the entrusted loans: record the amount by which the Group actually entrusts the financial institutions to grant the loans, and calculate the accrued interest according to the accrual basis. The Group should stop accruing the interests and reverse the interest previously accrued if the accrued interest cannot be collected at maturity.

The entrusted loan is measured by the lower of the book value and the recoverable amount at the end of year. When principal is higher than its recoverable amount, entrusted loan impairment provision can be recognized, and the balance accrued each half year or a year.

#### 4.16 Investment properties

Investment property of the Group includes land use rights and buildings leased to other party.

The cost of the investment properties of the Group is taken as the entry value. The cost of an investment property purchased from outside consists of the acquisition price, relevant taxes and fees, and other expenditures which can be directly attributable to such asset. The cost of a self-built investment property consists of the necessary expenditures for building the asset to reach the expected status of use.

The Group subsequently measures the investment property through the cost pattern. Depreciation or amortization is accrued based on the estimated useful life and the rate of net salvage value. The estimated useful life, rate of the net salvage value, and the annual depreciation (amortization) rate are listed below:

Classification	Term of depreciation (year)	Estimated rate of net salvage value (%)	Annual depreciation rate (%)
Land use rights	35-70	—	1.43~2.86
Houses and buildings	20-70	0-5	1.36-5

Where the usage of an investment property is changed to be used by the owner itself, such investment property shall be reclassified as fixed asset or intangible asset since the date of the change. Where the usage of a self-used house and land use right is changed to earning rental income or capital appreciation, such asset will be transferred from fixed asset or intangible asset into investment property as from the date of change. On conversion, the carrying amount before the conversion is taken as the entry value of the asset.

An investment property is derecognized when it is disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected to gain from its disposal. The net amount of proceeds from disposal income from the sale, transfer, scrap or damage of the investment property after deducting the carrying amount and the related taxes and fees from

the disposal proceeds is recognized into current profit or loss.

#### 4.17 Fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year.

Fixed assets include land, houses and buildings, machinery and equipment, transportation tools and others. The fixed assets are initially measured at cost. Wherein, the cost of fixed assets purchased from outsiders includes purchase prices, related import taxes and related taxes, and other expenses incurred for bringing the assets to the expected condition for its intended use which could be directly attributed to such assets. The cost of self-constructed fixed assets includes necessary construction expenses incurred for bringing the assets to the expected condition for its intended use. The entry value of the fixed assets injected by investors is measured at the considerations 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 will be recorded at their fair value. The cost of fixed assets acquired under finance lease arrangement is measured at the lower of their fair value and the present value of the minimum lease payment at the inception date of the leases.

Subsequent expenditure incurred on a fixed asset, such as repairs and improvement costs are recognized into the cost of fixed assets when the situation meets the recognizing conditions of fixed assets. The carrying amount of the replaced part is derecognized. Other subsequent expenditures not qualified for the recognition criteria of the fixed asset shall be recognized into current profit or loss when incurred.

Except for the fixed assets still in use after fully depreciation and lands that are separately recorded, depreciation is provided for all the fixed assets over their estimated useful life using the straight-line method, and the depreciation is recognized into the cost of the related assets or the current period expenses. The useful life, estimated rate of residual value and the annual depreciation rate of each classification of the fixed assets of the Group are as following:

No.	Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
1	Land property	—	—	—
2	Houses and buildings	5~35	3~5	2.71~19.00
3	Machines and equipment	5~20	3~5	4.75~19.4
4	Transportation tools	2~10	3~5	9.5~47.50
5	Others	3~10	3~5	9.5~32.33

The Group reviews the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each year. If any change incurred, such change is accounted for as a change in accounting estimates.

A fixed asset is derecognized when it is disposed or expected not to bring economic benefit from its use or disposal. The net amount of proceeds from the disposal, transfer, scrap or damage of the asset after deducting the carrying amount and the related taxes is recognized into current profit or loss.

#### 4.18 Construction in progress

Construction in progress is measured at the actual cost. The self-operated engineering project is measured according to the direct material, direct salaries and direct construction cost, etc. The output package of a construction project is measured at the engineering project payments which shall be paid. For equipment installation project, the project cost is determined according to the value of the equipment installed, installation cost, expenditures on the trial running of the project, etc. The cost of the construction in progress also includes the borrowing expense and exchange gain or loss which should be capitalized.

Since the date when the construction in progress reaches its intended status of use, according to the project budget, cost of construction or the actual project cost, etc. transfer the construction in progress into the fixed asset according to the estimated value. Since the next month, the depreciation is started to accrue. After handling the formalities of the final accounts and completion procedure, conduct the adjustments to the original value difference of the fixed asset.

#### 4.19 Borrowing costs

Borrowing costs include borrowing interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset commence capitalized as part of the cost of assets when expenditures for the asset have been incurred; the borrowing costs have been incurred; and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have been commenced. The capitalization of borrowing costs ceases when the qualifying assets under acquisition, construction, or production become ready for their intended use or sale. Other borrowing costs are recognized as an expense in the period in which they incur.

Capitalize the amount of the current interest expenses actually incurred related to the specific

borrowings after deducting the interest income from depositing the unused borrowing funds in bank or the investment gains from conducting the temporary investment activities from the interest expenses. The capitalized amount for the general borrowing is determined by the calculation of which the weighted average of the accumulated capital expenditure over the amount of specific borrowing multiplies the weighted average interest rate of the general borrowing.

Assets qualified for the conditions of capitalization refer to assets such as fixed assets, investment properties, and inventories that need to take a substantially long period of time (usually more than 1 year) of acquisition, construction, or production to become ready for their intended use or sale.

Capitalization of borrowing costs is suspended during periods when the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production activities of such assets is resumed.

#### 4.20 Intangibles assets

Intangible assets of the Group include land use rights, coastline use rights, patent technologies, non-patent technologies, exclusive operating rights and software, etc. The intangible assets shall be initially measured according to its cost. Acquisition costs of intangible assets include purchase price and relevant expenditures. The invested cost of intangible assets contributed by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement. If the conventional value in the investment contract or agreement is unfair, the costs of intangible assets shall be their fair value.

Land use rights are accounted for since the starting date of transfer, and are amortized evenly according to the transferring period. Patent technologies, non-patent technologies and other intangible assets are amortized evenly by year into the shortest period of the three periods, namely the estimated useful life, the beneficial years stipulated in the contracts and the effective period stipulated by the laws. The amortized amounts are accounted for into the costs of relevant assets and the current profit or loss according to the beneficial objects.

The Group reviews the estimated useful life and amortization method of intangible assets with a limited useful life at the end of each year and, if any changes happen, the Group treats the changes as a change of accounting estimates. The Group reviews the estimated useful life of intangible assets with uncertain useful life during each accounting period. If there is evidence to prove the useful life of intangible assets is limited, then the Group will estimate the useful life and amortize the intangible

assets within the estimated useful life.

The amortization methods of intangible assets with limited useful life are listed below:

Category	Useful life	Amortization method
Software	2-10 years	Straight-line method
Land use rights	30-50 years	Straight-line method
Coastline use rights	50 years	Straight-line method
Patents	5-7 years	Straight-line method
Non-patent technologies	5-10 years	Straight-line method
Exclusive operating rights of Lupu Bridge	25 years	Straight-line method
Others	10-25 years	Straight-line method

#### 4.21 Research and development

Research and development expenditures of the Group is classified into expenditures on the research phase and expenditures on the development phase based on the nature and whether there is material uncertainty that the research and development activities can form an intangible asset ultimately. Expenditures on the research phase are recognized into the current profit or loss when incurred. Expenditures on the development phase are recognized as an intangible asset only if all of the following conditions are satisfied:

It is technically feasible that the intangible asset can be used or sold upon completion;

There is an intention to complete the intangible asset for use or sale;

There is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market;

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;

The expenses attributable to the development stage of the intangible asset can be measured reliably.

Other development expenditures that do not meet the above conditions are expensed in the period when incurred. Development expenditure which has been previously recognized into current profit or loss in the prior periods shall no longer be recognized as an asset in the subsequent period. Capitalized expenditures in the development phase are stated in the balance sheet as development expenditures and are transferred into intangible assets for presentation when such project reaches the intended use.

#### 4.22 Long-term deferred expenses



Long-term deferred expenses of the Group refer to all kinds of expenses incurred but should be assumed by the current period and each period afterwards with the amortization period over than 1 year (not including 1 year). Such expenses are evenly amortized during the beneficial period. If such item of long-term deferred expenses cannot benefit the accounting period afterwards, then recognize the amortized value which has not been amortized of such item into current profit or loss entirely.

#### 4.23 Goodwill

Goodwill is the difference by which the cost of equity investment or the cost of business combination not under same control exceeds the entitled portion of fair value in the business combination or the obtained identifiable net assets in the invested entity or the identifiable net assets of the acquired party at the date of acquisition or the date of purchase.

Goodwill related to the subsidiaries is presented separately in the consolidated financial statements. Goodwill related to associate enterprises or joint venture enterprises is included in the book value of the long-term equity investments.

#### 4.24 Impairment of long-term non-financial assets

The Group conducts examinations at each balance sheet date on the items such as long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life. When the below signs existed, such sign may indicate that the assets might have incurred impairment. For goodwill and intangible assets with indefinite useful life, no matter whether any signs of impairment existed, impairment tests are conducted at the end of each year. If it is difficult to estimate the recoverable amount of an individual asset, the test is conducted on the basis of the asset portfolio or the groups of asset portfolios to which the asset belongs.

After the impairment test, if the book value of the asset exceeds the recoverable amount, the difference between the book value and the recoverable amount is recognized as the impairment loss. The aforementioned impairment loss cannot be reversed in the subsequent accounting periods once recognized. The recoverable amount of the assets refer to the higher of the two amounts, namely the net balance by deducting the disposal expenditures from the fair value and the present value of estimated future cash flows.

Signs of impairment are as following:

The market price of the asset falls to a large degree in the current period. The extent of decline was significantly higher than the estimated decline due to the passage of time or normal use;

The economic, technical or legal environment where the enterprise operates in and the markets where the assets locate has incurred significant changes in the current period or will incur significant changes in the recent period, so to generate adverse impact on the enterprises;

Market interest rates or other market rates of return on investments have increased in the current period, which is expected to affect the discount rate to calculate the present value of the future cash flows of the assets, resulting in a significant reduction in the recoverable amount of an asset;

There is evidence indicating that assets have become obsolete or the substance of the assets has been damaged;

The assets have been or will be left unused, terminated of use or planned to be disposed ahead of schedule;

Evidence from the internal reporting of the enterprise indicates that the economic performance of an asset has been, or will be lower than the expectation, such as the net cash flows created by the assets or the realized operating profit (or loss) is far below (or higher) than the expected amount, etc.;

Other evidence indicates that the impairment of assets may have incurred.

#### 4.25 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The welfares provided by the Group to the spouse and children of the employees, the people supported by the employees, widowed spouse of the deceased employees, or other beneficiaries also belong to the employee benefits.

4.25.1 Short-term compensations refer to employee's benefits which need to be entirely paid within 12 months after the year when employees render the related services to the Group, except for the compensation paid due to the termination of labor-relationship with the employees. The short-term compensations of the Group specifically include employee salaries, bonus, allowances and subsidies, employee welfare expense, social insurance expenses such as medical insurance, work injury insurance, and maternity insurance, housing funds, labor union expenses cost, employee education expenses, and other short-term remunerations.

The Group recognizes the short term remuneration actually incurred as the liabilities, and recognizes such liabilities into the current profit or loss or the costs of the related assets according to the beneficial objects to which the employees render the services. If the short-term remuneration is

non-monetary welfare, measure such remuneration according to the fair value.

4.25.2 Post-employment welfare refers to all kinds of remuneration and benefits provided to obtain the services provided by the employees after the employees retire or terminate the labor relationship with the Group, except for short-term compensations and termination benefits.

The defined contribution plan established by the Group refers to the basic endowment insurance and the unemployment insurance as well as enterprise annuities, etc. paid for employees according to the related regulations stipulated by the local government. During the accounting period when the employees render services to the Group, the amount which should be paid is calculated according to the base of pay and the percentage according to the local stipulations. Such plan is recognized as the liability and is recognized into the current profit or loss or the cost of the related assets.

The Company and some subordinate enterprises establish enterprise annuities. The funds of enterprise annuities are paid together by the Company and the individual employees. The portion paid by the Company is accrued from the costs of the Group. The portion paid by the individuals is accrued by the Group through withholding and paying the amount on behalf of the employees when paying the salaries of the employees.

The Group classifies the beneficial liabilities generated from defined benefit plans determined by the expected accumulated welfare unit method into the period when employees provide services, and recognizes into current profit or loss or the cost of the related assets. The deficit or surplus formed from deducting the fair value of the defined benefit plan asset from the present value of the defined benefit plan liability is recognized as a net liability or a net asset of a defined benefit plan. If the defined benefit plan has a surplus existed, the Group adopts the lesser of the two: namely the surplus of the defined benefit plan and the upper limit of asset of the defined benefit plan, to measure the net asset of defined benefit plan.

All the defined benefit plans, including the liabilities expected to be paid within the twelve months after the end of the reporting period when the employees provide services are discounted according to the market rate of return of the treasury bonds matched to the term and currency of the defined benefit plan liabilities or the high-quality corporate bonds in the active market.

The service cost generated by the defined benefit plan and the net interest of the net liabilities or net assets of the defined benefit plan is recognized into current period profit or loss or the cost of the related asset. The change generated from the remeasurement of the net liabilities or net assets of the defined benefit plans is recognized into other comprehensive income, and shall not to be reversed in

the profit or loss of the subsequent accounting period.

When settling the defined benefit plans, the Group recognizes the settlement gain or loss according to the difference between the present value of the defined benefit plan on the settlement day and the settlement price.

Currently, the defined benefit plan of the Group is mainly the overall external cost of retired employees including workers and cadres. In addition to the three level subsidiaries in CSSC Huangpu Wenchong Shipping Company Limited, The Ninth Design Institute Engineering of CSSC Co., Ltd., and the forth level subsidiaries in Guangzhou Wenchong Shipyard Co. Ltd., CSSC Research & Design Co., Ltd. CSSC Huahai Marine Equipment Co., Ltd. Approved by the State-owned Assets Supervision and Administration Commission of the State Council, accounted for three types of personnel expenses. The Group and other subsidiaries according to the related stipulations in the “Notice on the final financial accounts management and the preparation of the statements of central enterprises for the year of 2014”, (Guo zi fa ping jia No. [2014] 175) issued by SASAC of the State Council, the Group does not accrue the overall external cost of such retired employees and will recognize the amount into current profit or loss when actually incurred.

4.25.3 Termination benefits refer to the compensation paid 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. For the situation where although the employee does not relieve the labor service contract with the Group, the employee will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, the Group commits to provide the economic compensation with the nature of termination benefits, for instance the situation of “early retirement”. In such a situation, before the formal retirement date of the employee, the Group adopts the treatment according to the treatment of the termination benefits. While after the formal retirement date of such employee, the Group adopts the treatment according to the treatment of post-termination benefits.

Where the Group provides termination benefits to employees, the Group recognizes the liabilities of employee benefits payable generated from the termination benefits and recognized into the current profit or loss at the earlier date of the following two dates: 1) when the Group cannot unilaterally reverse the termination benefits due to the plan of cancelling the labor relationship or the termination benefits provided by the advice of reducing staff; and 2) the Group recognizes the cost or expense related to the payment of termination benefits of restructuring into the cost or expenses.

For termination plan of which the termination benefits which are expected not to be entirely paid after the twelve months of the end of the reporting period and the substantial termination work is completed within one year but the term to pay the compensation payment exceeds one year, the Group adopts the appropriate discounted rate and adopts the discounted amount to measure the amount of termination welfare that should be recognized into the current profit or loss.

#### 4.26 Bond payables

The Group applies the fair value to initially recognize the bonds payables, with the related transaction expenses recognized into the initial amount. Bonds payables are subsequently recognized based on the amortized cost.

The difference between the price paid for the bonds and the total face value of the bonds is recognized as the premium or the discount of the bonds payables. The premium or the discount is amortized when the interest is accrued based on the effective rate of interest method during the lasting period of the bonds, and is treated according to the principles of borrowing expenses.

#### 4.27 Provisions

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration at the same time, warranty on quality of products or other contingent matters meet the following requirements, the Group will recognize them as liabilities. The requirements are as following: a) The obligation is a present obligation of the Company; b) It is probable that an outflow of economic benefits will be required to settle the obligation; c) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations by comprehensively considering the factors such as the risks, uncertainties, and time value of the currency related to the contingent matters, etc. If the effect from the time value of the currency is significant, the most appropriate estimation will be determined by discounting the future cash out-flows into the present value. On each balance sheet date, the book value of the estimated liabilities is reviewed, and adjusted to reflect the currently best estimate if the book value changes.

#### 4.28 Fees for safety in production

The enterprises belonged to the Group under the shipbuilding industry and the related marine equipment manufacturing industry accrue and use the safety production fees according to the related regulations of ‘The administrative method of accrual and use of enterprise safety production fees’ (Cai Qi [2012] No. 16). When accrued, the safety production fees are recognized into the cost of

related products, and are recognized in the ‘special reserve’ account. When using the safety production fees in compliance with the regulated scope, if the expenditures belong to expenses, the expenditures are directed netted against the special reserves. If the expenditures result in the formation of fixed assets, the expenditures are summed up under the account of ‘construction in progresses. After the project reaches the expected status to the intended use, the expenditures are recognized as the fixed assets. At the same time, the costs used to form the fixed assets are netted against the special reserve and the accumulated depreciation is recognized at the same amount. The fixed assets will not be recognized for accumulated depreciation in the future period.

The balance of safety production fees can be transferred to the next year. If the amount is insufficiently accrued for the operation, the excess should be expensed according to way to charge the normal costs or expenses. The additional safety production fees are no longer accrued after making the original provision.

#### 4.29 Revenue recognition principles

The operating revenues of the Group mainly include revenue from sales of goods, rendering of services, transferring of assets use rights and construction contracts. The principles of revenue recognition are as following:

4.29.1The Group recognizes the realization of the revenue from sales goods, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group neither holds continuing management rights generally related to the ownership, nor conducts the effective control over the goods sold, the amount of the relevant revenue can be measured reliably, the relevant economic benefits will likely flow into the Group, and the relevant costs which have already incurred or will incur can be measured reliably.

4.29.2Revenue from rendering of services is recognized by the Group when the total revenue and total costs of the labor services can be measure reliably; when the associated economic benefits are probably flow into the Group; and when the completion progress of the services can be estimated reliably. At the balance sheet date, revenue is recognized using the percentage of completion method when the outcome of the services rendered can be estimated reliably. The percentage of completion method is determined according to the proportion of costs incurred to date over the total estimated cost, or to the proportion of services provided of the total amount of services to be provided; Where the transaction outcome of rendering services cannot be reliably estimated and the costs incurred are expected to be recoverable, the revenue from rendering services are recognized according to the

incurred service cost expected to be compensated and the incurred service costs should be carried over. Where the outcome of the service rendering transaction cannot be reliably estimated or all the costs incurred are expected not to be recoverable, no labor service revenue shall be recognized. The costs incurred are recognized into current profit or loss.

4.29.3 Revenues from alienating the rights of using properties is recognized, when the economic benefits related to transactions will likely flow into the Group and the amount of revenues can be measured reliably.

#### 4.30 Construction contracts

The Group recognizes the contract revenue and the contract expense at the balance sheet date using the percentage of completion method when the total revenue from the contracts can be measured reliably; When the economic benefits related to the contract are probably flow into the Group; when contract costs actually incurred can be clearly identified and measured reliably; and when the completion progress of the contract and the future costs to be incurred to complete the contract can be estimated reliably. In applying the percentage of completion method, the stage of completion of the contract is determined according to the proportion of contract costs actually incurred to date to the estimated total contracts costs.

Where the outcome of the construction contract cannot be reliably estimated, if the costs incurred are expected to be recoverable, contract revenue is recognized according to the recoverable actual contract cost to determine. Such contract cost is recognized as the expenses for the period when the cost incurred. If the contract cost is impossible to recover, such cost is immediately recognized as an expense for the period when incurred and no revenue shall be recognized.

The long term shipbuilding contract such as for first-made ships is deemed that the contract result can be reasonably expected when the construction progress reaches 50%, and the batch-made non-first-made shipbuilding is deemed that the contract result can be reasonably expected when the construction progress reaches 30%. For shipbuilding which the construction progress has not reached the level to reasonably expect the contract result, the Company recognizes the actual contract cost incurred as the contract expense and recognizes contract revenue according to the amount of contract expense, not recognizing the contract gross margin.

The currency adopted to sign the contract is the basis on which the Group recognizes the revenue from foreign currency contracts. When translating the revenue from foreign currency contracts, the Group adopts the RMB amount at the time of receiving the payment to recognize the foreign

currency revenue received to accrue. For the foreign currency revenue not received but should be accrued, the Group adopts the spot exchange rate when recognizing the account receivables. The total amount of the two aforementioned amounts is recognized as the RMB amount of revenue to accrue. The accumulated RMB revenue accrued minus the accumulated RMB revenue recognized in the past period is treated as the RMB revenue which should be recognized in the current period.

The Group generally reviews construction contracts at the end of each year. If the total expected contract cost exceeds the total expected contract revenue, the Group accrues the expected contract loss, and increases the impairment loss and the provision of inventory impairment – expected contract loss at the same time. Before the construction progress of shipbuilding reaches 30% (non-first-made shipbuilding) or 50% (first-made shipbuilding) and when no gross margin has been recognized, the Group does not write-off the provision of inventory falling price impairment. After the construction progress of shipbuilding reaches 30% (non-first-made shipbuilding) or 50% (first-made shipbuilding), the Group starts to recognize gross margin, and write-offs the provision of inventory falling price impairment accrued based on the progress, and reduces the main operating cost. Generally at the end of each year, for the incompleting shipbuilding to which the Group accrued the provision of inventory falling price impairment in the past period, if the provision made in the past period is insufficient and needs to accrue additionally, the Group simultaneously increases the asset impairment loss and the inventory falling price impairment – expected contract loss. If the accrual is excessive and needs to be reversed, the Group simultaneously reduces the asset impairment loss and the inventory falling price impairment – expected contract loss. When delivering the ship, the balance in the provision of inventory falling price impairment is used to reduce the main operating cost. At the balance sheet date, the Group analyzes the book value of inventory formed from the construction contract (the book value less the inventory falling price impairment). If the book value is negative, the Group reclassifies the amount to be reported under the item of estimated liabilities. If the book value is positive, the Group compares the amount with the balance in the construction settlement account. After netting-off based on the principle of lower, the Group reports the balance after the net-off under the item of inventories or other current liabilities.

The level two enterprise, CSSC Steel Structure Engineering Co., Ltd (listed company), the level three enterprise, the Ninth Design and Research Institute of China Shipbuilding Engineering Co., Ltd and Shanghai Jiangnan Shipbuilding Real Estate Development and Operation Co., Ltd, adopt the



percentage of which the completed amount of contract workload to the estimated total amount of contract workload to determine the percentage of completion progress.

#### 4.31 Government grants

##### 4.31.1 Category of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration and are classified as government grants related to assets or government grants related to income.

##### 4.31.2 Accounting treatment of government grants

Government grants related to assets were recognized as deferred income which is amortized in profit and loss for each period over the asset's estimated useful period on a systematic basis. Government grants related to the Company's routine operation will be recorded in other income and government grants not related to the Company's routine operation will be recorded in non-operating income.

Government grants measured at nominal cost will be recorded in profit and loss for the current period when received.

Government grants related to income are treated as follows: a) If the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized.; b) if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period. Government grants related to the Group's routine operation will be recorded in other income or deducted from related costs or expenses, and government grants not related to the Group's routine operation will be recorded in non-operating income.

##### 4.31.3 The detailed criteria to distinguish government grants related to assets and government grants related to income:

Government grants obtained by the Group for purchase, construction or formation of long-term assets are recognized as the government grants related to assets. The government grants other than the government grants related to assets are classified as government grants related to income.

If there is no explicit recipient in the related government grant document, the judgement criteria to distinguish government grants related to assets and government grants related to income is as follow: The government subsidy related to the asset refers to the government grants for assets that are acquired by the Group and used for purchase or construction or other forms of long-term

development; government grants related to income refer to the government grants except for the government grants related to assets. If the government documents do not clearly specify the target of the subsidy, the Group will make judgments according to the above principle of distinction.

#### 4.31.4 The recognition time point for government grants

The receivable government grants will be recognized when there are conclusive evidence to indicate the Company could meet all related government grants requirements and the Company expects to receive the government grants in the future. Other government grants will be recognized when the grant fund received.

#### 4.31.5 The accounting treatment of policy-based preferential loan with discounted interest

When the Company receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

#### 4.32 Deferred tax asset and deferred tax liability

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax asset or liability. For the deductible tax losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years are deemed as temporary differences. At the balance sheet date, deferred tax assets and deferred tax liabilities are calculated by the effective tax rate in the expected period to receive the asset or discharge the liability.

Deferred tax assets generated from the temporary deductible differences are recognized by the Group to the extent that it is probable to obtain the taxable profit which will be sufficient to offset the deductible temporary difference. For the recognized deferred tax assets, when it is estimated that in the future period, it is likely that the Group is unable to obtain sufficient taxable income to deduct the deferred tax assets; the book value of the deferred tax assets should be reduced. When it is very likely that sufficient taxable income will be available, the amount previously reduced shall be reversed.

#### 4.33 Leases

Leases are classified as finance leases and operating leases by the Group at the date of inception.

Finance lease refers to a lease that substantially transfers all the risks and rewards related to the ownership of the assets. The Group, as a lessee, recognizes the assets under finance lease at the lower of the two amounts, namely the fair value of the leased assets at the inception date of the lease and the present value of the minimum lease payments as the entry value of the fixed assets acquired

under finance lease. The minimum lease payments are taken as the entry value of the “long-term payable”. The balance between the two amounts is recorded as the unrecognized finance lease expense.

Operating leases refer to leases other than finance leases. The lease payments of the Group as a lessee are recognized into the cost of related assets or the current profit or loss according to the straight-line method in each period. The rental income of the Group as a lessor is recognized as revenues according to the straight-line method in each period.

#### 4.34 Measurement of fair value

##### 4.34.1 Initial measurement of fair value

Regarding the assets and liabilities measured in fair value, the Group considers the characteristics of the assets or liabilities. The Group adopts the price which market participants will receive when selling an asset or transferring a liability in the orderly transactions on the date of measurement to measure the fair value. When measuring the related assets or liabilities based on the fair value, the transactions in which the market participants sell assets or transfer liabilities are the orderly transactions conducted under the current market conditions. The orderly transactions of selling assets or transferring liabilities are conducted in the main market of the related assets or liabilities. If no main market exists, the Group supposes that the transaction is conducted in the most favorable market of the related assets or liabilities. The Group adopts the assumption that the market participants take to price the assets or liabilities when maximizing the economic benefits. When adopting the fair value to measure the non-financial assets, the Group considers the ability of the market participants to apply the assets into the optimal use to generate economic benefits, or the ability to sell the assets to other market participants who can apply the assets to the optimal use in generating economic benefits.

##### 4.34.2 Valuation techniques

The Group adopts the fair value to measure the related assets or liabilities. The Group adopts the valuation techniques which is supported by the information applicable to the current situation and is supported by other information. The adopted valuation techniques mainly include market method, revenue method and cost method. When applying the valuation techniques, the Group favorably adopts the related observable input value. Only when the related observable input value cannot be obtained or when it is impractical to obtain, the Group adopts the non-observable input value.

##### 4.34.3 Hierarchical division of fair value

The Group determines the level of the results of the fair value measurement on the basis of the lowest level of input value that is of great significance to the overall measurement of the fair value measurement: the first level of input is the unadjusted price of the same assets or liabilities in the active market that can be obtained on the day of measurement. Active market refers to the market where the trading volume and frequency of related assets or liabilities are sufficient to provide continuous pricing information. The second level input value is the direct or indirect observable input value of the underlying assets or liabilities except the first level input value. The third level input value is an inobservable input value of the related assets or liabilities.

#### 4.35 Segment information

The Group recognizing the operating segments on the basis of internal organizational structure, management requirements and internal reporting system, and determines the reporting segments and discloses the segment information based on them. An operating segment is a component of the Group that satisfies all of the following conditions: 1) The component earns revenue and incurs expenses through the ordinary business activities; 2) The management of the group can regularly evaluate the operating results of the component so as to decide its allocation of resources and evaluate its performance.; 3) And the Group can obtain the accounting information of these components, such as the financial position, operating results and cash flows. Two or more operating segments can be merged into one operating segment if they have similar economic characteristic and satisfy certain conditions.

#### 4.36 Discontinued operations

Discontinued operation refers to a component of the Group that either has been disposed or is classified as held-for-sale, and can be separately distinguished in the business operations and in the preparation of financial statements. Such component will be entirely or partially disposed of according to the plan of the Group.

A component is classified as held-for-sale when all of the following conditions are satisfied: 1) The Group has made a resolution on disposal of the component; 2) The Group has signed an irrevocable transfer agreement; 3) And such transfer will be completed within one year.

#### 4.37 Significant accounting policies and accounting estimates of state-run institutions affiliated

##### 4.37.1 Short-term investments

The recognition is based on the price of actual cost when acquired. Investment income is recognized according to the accrued interest or profit due in the current period. The impairment allowance of

short-term investments shall not be accrued.

#### 4.37.2 Accounts receivables

(1) Recognition criteria of bad debts: 1) The uncollectible remaining amount after using the bankruptcy assets or bequests of debtors to clear; 2) Amounts owing to the failure of the debtor to fulfill his obligation of repayment over three years, and are approved by the departments in charge;

(2) Direct write-off method is applied to check and calculate bad debts. The incurred loss of bad debts is directly recognized into the current profit or loss.

#### 4.37.3 Inventories

Classification of inventories: raw materials, wrappings, low-valued consumables, engineering equipment modes, self-produced semi-finished goods, stock merchandise, entrusted processed goods, goods sent out on instalment sales and work in process, etc.;

Inventory pricing method: The method of actual cost is applied at the time of purchase, and applied to other inventories. Low-valued consumables and wrappings are amortized at one time amortization method when sent out.

The stocktaking policy of inventories: Companies adopt the perpetual inventory method for the inventories, and stocktaking is made yearly at the end of each year.

Provision for obsolete stocks is not accrued.

#### 4.37.4 Long-term investments

(1) The accounting method of long-term bond investments:

The method of valuation and recognition of gains of long-term bond investments: The actual cost is recognized according to the actual payment after deducting the paid taxes, fees and other surcharges, and the bond interests due but not collected included in the actual payment. Accrued interests are calculated according to the principles of the accrual method. Bond premiums or bond discounts are recognized as the result of the actual payments minus the related expenses and the difference between the bond interest and the bond face value of the immature bonds;

The amortization method of long-term bond investment premiums and discounts: amortizing in separate periods when accruing the interest of each period.

(2) The accounting method of long-term equity investments:

The method of valuation and recognition of gains of long-term equity investments: long-term equity investments include stock investments and other equity investments. Long term equity investment is calculated by cost method according to the actual payment of investment or the value recognized by

investors.

(3) Provision for long-term equity investments is not accrued.

#### 4.37.5 Fixed assets

Standards of fixed assets: The unit value of the general equipment is above 500 yuan, the unit value of the special equipment is above 800 yuan, the use period is more than one year, and the assets of the original material form are basically kept in the process of use, including houses, buildings, instruments, equipment, transportation tools and so on. A large number of similar materials, which the unit value is not up to the required standard, and are durable for more than one year, are managed as fixed assets.

Valuation of fixed assets: The purchase or construction is priced at the actual cost.

The depreciation of fixed assets is calculated through accruing fixed usage cost of fixed assets separately based on the regulated percentages (Salvage value ignored). The detail percentages are as following:

Category	Fixed usage cost
Houses and buildings	2%-10%
Machines and equipment	5%-20%
Transportation tools	5%-20%
Others	3.33%-20%

State-run institutions, including China Institute of Marine Technology and Economy Service Center, China Shipbuilding Industry Government Service Center, Beijing Shipbuilding Industry Management Cadres Institute, Jiangnan Shipbuilding Group vocational and technical school, Worker's Hospital of Huangpu shipyard in Guangzhou, Guangzhou Huangpu shipyard kindergarten, and Guangzhou Huangpu shipyard technical school, do not accrue the depreciation.

#### 4.37.6 Construction in progress

Construction in progress is measured at the actual cost, and is transferred to fixed assets after it is delivered to use. For construction projects which need to complete the final accounting procedures of completion, if the constructions are delivered to use before the final accounting procedures of completion finished, recognize the entry value according to the estimated cost. Then the originally estimated value is adjusted according to the final calculation.

#### 4.37.7 Intangible assets

For intangible assets acquired through purchasing or according to the legal procedures, check and calculate according to the actual expenditures at the time of purchasing or acquiring based on legal

procedures. For intangible assets invested by investors, check and calculate according to the assessed value. Intangible assets are amortized based on the straight-line method in the benefit period.

#### 4.37.8 Borrowing expenses

Interests paid before the delivery of fixed assets or interests of which the assets are delivered but the final accounts procedure of completion is not completed, are recognized as the constructing cost of the fixed assets. Interests incurred during the regulated period of repayment after completing the final accounts procedure of completion, and the balance of foreign currency translations are recognized into the current profit or loss.

#### 4.37.9 Principles to recognize revenues

Revenues from financial subsidies: Revenues from financial subsidies are recognized when receiving the appropriated funds from the national finance departments, competent departments and the superior institutions.

Subsidy income from superior institutions: Subsidy income is recognized at the time when receiving the appropriated funds from the departments in charge and superior institutions.

Revenues from scientific research: For revenues from the state or department appropriations, revenues are recognized according to the amount of funds based on the regulated progress determined by the plans of scientific research projects and contracts.

Revenues from technologies: Equipment (technologies) business revenues are generally recognized as the annual technology revenues reasonably according to the annual progress of completion (namely the method of direct cost percentage). Revenues are recognized when the assumed projects are completed, work is rendered, and when payments are collected, or when the certificates of receipts are obtained, including projects of technology transfer, technology consultation, technology service, technology training and technology contract, etc.

Revenues from other business: Revenues are recognized when the business is completed, while the payments are collected, or the certificates of receipts are obtained, including academic communication, journal publication, and holding scientific and technological exhibition, etc.

Revenues from product sales: Revenues are recognized when products have been sent out or the industrial laboring service has been rendered, and when the payments are collected, or when the certificates of receipts are obtained.

Revenues from other operation: Revenues are recognized when the contractual engineeringing projects are completed, services such as transportation services are rendered, or materials sold are

sent out, meanwhile the payments are collected, or the certificates of receipts are obtained.

Revenues collected from affiliated institutions: revenues are recognized when receiving the payments submitted by the subordinate institutions or when the certificates of receipts are obtained.

Other revenues are recognized when receiving the payments or receipts.

## **5. Main changes of accounting policies, accounting estimates and correction of errors**

### **5.1 Main changes of accounting policies**

The Ministry of Finance released < CAS No.42-Held for sale Assets, disposal groups and Discontinued Operations> in year 2017 which had been in effect from May 28, 2017. The accounting standard requires prospective application for the existed held for sale assets, disposal groups and discontinued operations on the implement day.

The Ministry of Finance revised < CAS No.16-Government grants> which had been in effect from June 12, 2017. The accounting standard requires prospective application for the existed government grants at January 1, 2017, and adjusts the government grants received from January 1, 2017 to the enforcement date.

The Ministry of Finance released < Notice for amendments of financial statements format of industrial and commercial enterprises>(Caikuai (2017) No.30) in year 2017 and the enterprises which adopt <Accounting Standards for Business Enterprises> should prepare the financial statements for year 2017 and the following financial periods in according to <Accounting Standards for Business Enterprises> and the Notice.

The main influences on the financial statements when the Group adopts the above two standards are as following:

Reason and content of accounting policy change	Item affected	The amount of item affected ( ¥ )	Restatement amount of prior period	Amount presented in non-operating income of prior period	Amount presented in non-operating expenses of prior period
Presented continued operation and discontinued operation separately in the income statement	Profit or loss from discontinued operations		—	—	
Deducted the amount of administration cost for some government grants related to income	Administration cost	-88,904,209.18	—	—	
Deducted the amount of sales expense for some government	sales expense	-87,470,000.00			



Reason and content of accounting policy change	Item affected	The amount of item affected (¥)	Restatement amount of prior period	Amount presented in non-operating income of prior period	Amount presented in non-operating expenses of prior period
grants related to income					
Deducted the amount of financial cost for some government grants related to income	financial cost	-79,493,404.97	—	—	
Government grants related to the Company's routine operation recorded in other income	Other income	942,583,762.81	—	—	
Presentation adjustment for gains(losses) from disposal of assets	Gains (Losses) from disposal of assets	29,822,582.28	390,016,607.16	505,874,875.29	115,858,268.13

## 5.2 Main changes of accounting estimates

In order to meet the needs of the development of the group, and to solve the problem of the inconsistency with its subsidiaries, one of the subsidiary company, Shanghai East China shipbuilding (Group) Co., Ltd., has changed the depreciation method of machines worth more than 1 million yuan from double declining balance method to straight-line method in the seventh interim meeting of the board of directors in 2016. The change of above accounting estimation has been implemented since January 1, 2017.

The aforementioned changes of accounting estimates all adopted the prospective application method, and the profit which have been affected increased ¥12,264,288.83.

## 5.3 Correction of accounting errors of prior periods

The Group did not have any correction items of accounting errors in the current year.

# 6. Taxes

## 6.1 Main taxes categories and tax rates

Taxable added value (Tax amount payable is calculated on the basis of taxable sales multiplied by applicable tax rate, then deducted the amount of input can be deducted during the current period)

Category of tax	Tax base	Tax rate (%)
Value added tax	Taxable added value (Tax amount payable is calculated on the basis of taxable sales multiplied by applicable tax rate, then deducted the amount of input can be deducted during the current period)	0、3、5、6、11、13、17
Urban maintenance and construction tax	Turnover tax payable	0、1、5、7
Education cost	Turnover tax payable	0、3

Category of tax	Tax base	Tax rate (%)
Local education cost	Turnover tax payable	2
construction fee for cultural undertakings	revenue from advertising	3

## 6.2 Corporate income tax

NO.	Corporate name	Tax rate (%)	Note
1	China State Shipbuilding Corporation Co., Ltd	25	
2	Jiangnan Shipyard (Group) Co., Ltd	15	3.5 (5)
3	Shanghai CSSC Culture Media Co., Ltd.	20	3.5 (8)
4	Shanghai Changhong Institute of Science and Technology	20	3.5 (8)
5	Shanghai Minjiang Industrial Co., Ltd.	20	3.5 (8)
6	Shanghai Jiangnan Changxing Hospital Management Co., Ltd.	20	3.5 (8)
7	Shanghai Jiangnan Vocational Skills Training Center	20	3.5 (8)
8	Shanghai Jiangnan Shipyard Group Staff Hospital	0	3.5 (1)
9	Jiangnan Shipyard Group Vocational Technical School	0	3.5 (1)
10	Shanghai Jiangnan Boatyard Real Estate Development Management Company	25	
11	Shanghai Jiangxing Real Estate Co., Ltd.	25	
12	Shanghai Jiuzhou Investment Development Co., Ltd.	25	
13	Shanghai Jiangzhou Investment Development Co., Ltd.	25	
14	Shanghai Qixin Shipyard	25	
15	Shanghai Jiangnan Original Site Asset Management Co., Ltd.	25	
16	CSSC Dingsheng (Shanghai) Co., Ltd.	25	
17	Shanghai Jiangnan Shipping Pipe Industry Co., Ltd.	25	
18	Shanghai Hailian Shipping Service Engineering Company	25	
19	Shanghai Jiangnan Metrology and Measurement Station Co., Ltd.	25	
20	Nanjing CSSC Lvzhou Machinery Co., Ltd	15	3.5 (5)
21	CSSC Lvzhou Zhenjiang Shipping Auxiliary Machinery Co., Ltd.	25	
22	Nanjing Lvzhou Electric Co., Ltd.	25	
23	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	15	3.5 (5)
24	Nanjing CSSC Lvzhou Retirement and Rehabilitation Center	0	3.5 (1)
25	China Shipbuilding Industry Government Service Center	25	
26	Beijing CSSC Jiayuan Property Management Co., Ltd.	20	3.5 (8)
27	Beijing Zhongchuan Hotel	20	3.5 (8)
28	CSSC Finance Co., Ltd	25	
29	CSSC Industrial Complete Logistics Co.,Ltd	25	
30	China Shipbuilding Trading Shanghai Co., Ltd	25	
31	Shanghai CSSC Industrial Technology Park Management Development Co., Ltd.	25	

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NO.	Corporate name	Tax rate (%)	Note
32	CSICEL (Guangzhou) Co., Ltd.	25	
33	CSSC Industry Complete Logistics (Hongkong) Co., Ltd.	16.5	3.5 (6)
34	Qianlong Steel Logistics Co., Ltd.	25	
35	CSSC Hengyu Energy (Shanghai) Co., Ltd.	25	
36	Shanghai Huazhou Industrial Company	20	3.5 (8)
37	Shanghai Shansi Industrial Development Co., Ltd	20	3.5 (8)
38	CSSC Energy (Singapore) Co., Ltd.	17	3.5 (7)
39	CEL Holding Company limited	0	3.5 (2)
40	CS Shipping Company Limited	0	3.5 (3)
41	CSZ Shipping Company Limited	0	3.5 (3)
42	CSH Shipping Company Limited	0	3.5 (3)
43	CSHA Shipping Company Limited	0	3.5 (3)
44	CSHB Shipping Company Limited	0	3.5 (3)
45	Zhangjiagang Runsha Steel Trading Co., Ltd.	25	
46	Zhangjiagang Shaan Metal Products Co., Ltd.	25	
47	Zhangjiagang Runan Steel Trading Co., Ltd.	25	
48	Zhangjiagang Jiusha Steel Trading Co., Ltd.	25	
49	Zhangjiagang Jiulong Transportation Co., Ltd.	20	3.5 (8)
50	Zhangjiagang Jiulong Transport Management Co., Ltd.	25	
51	Zhangjiagang Jiulong Logistics Park Enterprise Management Co., Ltd.	25	
52	Zhangjiagang Jiulong Steel Trading Co., Ltd.	25	
53	Zhangjiagang Jiulong Real Estate Development Co., Ltd.	25	
54	Zhangjiagang Jiulong E-commerce Co., Ltd.	25	
55	Jiangyin Runde Materials Co., Ltd.	25	
56	Jiangyin Rielta Metal Co., Ltd.	25	
57	Jiangyin Jingcheng Logistics Distribution Trading Market Co., Ltd.	25	
58	CSSC Guangxi Shipping and Marine Engineering Co., Ltd	25	
59	CSSC Guijiang Shipbuilding Co., Ltd.	15	3.5 (5)
60	CSSC Guijiang Shipbuilding Co., Ltd.	15	3.5 (5)
61	Guangxi CSSC Shipbuilding and Marine Engineering Design Co., Ltd.	15	3.5 (5)
62	CSSC Southern China Marine Machinery Co., Ltd	15	3.5 (5)
63	CSSC Southern China Marine Machinery (Guangzhou) Co., Ltd	25	
64	CSSC Investment and Development Co., Ltd	25	
65	CSSC Investment and Development (Shanghai) Co., Ltd.	25	
66	CSSC Yangzhou Shipbuilding Engineering Technology Service Co., Ltd.	25	
67	CSSC International Trading Co., Ltd.	25	

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NO.	Corporate name	Tax rate (%)	Note
68	Tianjin CSSC Jianxin Haigong Investment Management Co., Ltd.	25	
69	Winterthur Gas & Diesel AG	27.38	3.5 (9)
70	China Ship News Agency	20	3.5 (8)
71	Beijing CSSC Voyage Advertising Media Co., Ltd.	20	3.5 (8)
72	Beijing CSSC Bookstore Co., Ltd.	20	3.5 (8)
73	Beijing Shipbuilding Industry Management Cadres Institute	25	
74	Beijing Shipbuilding Industry Management Cadres Institute Training Center	20	3.5 (8)
75	China Shipbuilding Trading Co., Ltd	25	
76	Beijing Hairui International Trading Co., Ltd.	25	
77	Shanghai CSSC International Trading Co., Ltd.	25	
78	China Shipbuilding Trading Co., Ltd (BVI)	0	3.5 (2)
79	Beijing CSSC Property Management Co., Ltd.	20	3.5 (8)
80	Feili Shipping Co., Ltd.	16.5	3.5 (6)
81	China Institute of Marine Technology and Economy	15	3.5 (5)
82	Beijing CSSC Consulting Co., Ltd.	20	3.5 (8)
83	Beijing Zhongchuan Movie & TV Facture Center	20	3.5 (8)
84	Beijing CSSC Economic and technological Development Co., Ltd.	20	3.5 (8)
85	Beijing Xinzhou Property Management Co., Ltd.	20	3.5 (8)
86	"Yacht" Magazine Co., Ltd.	20	3.5 (8)
87	CSSC Culture Technology (Beijing) Co., Ltd.	20	3.5 (8)
88	Beijing Haidian Jinzhou Hotel	20	3.5 (8)
89	Beijing CSSC Furui Environmental Technology Co. Ltd.	20	3.5 (8)
90	Guangdong CSSC Military and Civil Integration Research Institute Co., Ltd.	20	3.5 (8)
91	CSSC Comprehensive Technology and Economic Research Service Center	0	3.5 (1)
92	Guangzhou Shipbuilding Co., Ltd	25	
93	Guangzhou Shipbuilding Human Resources Service Co., Ltd.	25	
94	Guangzhou Shipyard Technical School	20	3.5 (8)
95	Guangzhou Bohang Environmental Monitoring Service Co., Ltd.	20	3.5 (8)
96	Guangzhou Shipyard Nursing Home Co., Ltd.	20	3.5 (8)
97	Shanghai Jiangnan Shipyard Co., Ltd.	25	
98	Shanghai Jiangnan Craft Manufacturing Co., Ltd.	25	
99	Shanghai Jiangnan Changxing Enterprise Development Co., Ltd.	25	
100	Shanghai Jiangnan Industrial Co., Ltd.	25	
101	Shanghai Dongzhen Ship Engineering Co., Ltd.	25	
102	CSSC Electronic Technology Co., Ltd	15	3.5 (5)
103	Haifeng Tonghang Technology Co., Ltd.	15	3.5 (5)

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NO.	Corporate name	Tax rate (%)	Note
104	Shanghai Zhongruitong Aviation Service Co., Ltd.	15	3.5 (5)
105	Haiying Enterprise Group Co., Ltd.	25	
106	Wuxi Haiying Supplies Co., Ltd.	25	
107	Wuxi Haiying Household Electric Appliance Fittings Factory	25	
108	Wuxi Haiying Jiake Marine Technology Co. Ltd.	15	3.5 (5)
109	Wuxi Haiying Electronic Medical System Co. Ltd.	15	3.5 (5)
110	Wuxi Haiying Medical Technology Co., Ltd.	25	
111	Wuxi Haiying International Trading Co., Ltd.	25	
112	Wuxi Haiying Engineering Equipment Company	25	
113	CSSC Navigation Technology Co., Ltd.	15	3.5 (5)
114	Shanghai Smithfield Industrial Co., Ltd.	25	
115	Zhoushan Haifeng General Aviation Service Co., Ltd.	25	
116	Tianjin Hairi Electronics Co., Ltd.	15	3.5 (5)
117	CSSC Electronic Technology (Sanya) Co., Ltd.	20	3.5 (8)
118	Xi'an Pan-China Science and Technology Development Co Ltd	15	3.5 (5)
119	CSSC (Zhejiang) Marine Technology Co., Ltd.	25	
120	Wuxi Haiying Sensor Co., Ltd.	25	
121	CSSC Marine Exploration Technology Research Institute Co., Ltd.	25	
122	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	25	
123	China Shipbuilding Industry Bureau of Retired Officials	0	3.5 (1)
124	China State Shipbuilding Industry Systems Research Institute	15	3.5 (5)
125	Beijing CSSC InfoTech Co., Ltd.	15	3.5 (5)
126	Beijing Leiyin Electronic Technology Development Co., Ltd.	15	3.5 (5)
127	Beijing Shipping Hotel Co., Ltd.	25	
128	Beijing Sirui Investment Development Co., Ltd.	25	
129	Guangzhou Shipbuilding Industry Co., Ltd.	25	
130	Guangzhou Huangpu Shipyard Technical School	25	
131	Guangzhou Huangpu Shipyard Staff Hospital	25	
132	Guangzhou Huangpu Shipyard Kindergarten	25	
133	Guangzhou Huamao Center	25	
134	Huachang International Shipping Co., Ltd.	16.5	3.5 (6)
135	China Shipbuilding Trade Guangzhou Company	25	
136	Guangzhou Shipbuilding and Marine Engineering Design and Research Institute	15	3.5 (5)
137	Guangzhou Hairong Industrial Co., Ltd.	25	
138	Guangzhou Hairong Construction Supervision Co., Ltd.	25	
139	Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd	25	

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NO.	Corporate name	Tax rate (%)	Note
140	Hualian Shipyard Co., Ltd	16.5	3.5 (6)
141	Fanhua Design Co., Ltd.	16.5	3.5 (6)
142	Huaguang Development Co. Ltd.	16.5	3.5 (6)
143	Hongkong Marvy Co., Ltd.	16.5	3.5 (6)
144	Unique International Limited	16.5	3.5 (6)
145	Shanghai Ruiyuan Real Estate Development Co., Ltd	25	
146	Shanghai Ruiyuan Property Management Co., Ltd.	20	3.5 (8)
147	Changshu CSSC Ruiyuan Real Estate Development Co., Ltd.	25	
148	Shanghai Ruizhou Real Estate Development Co., Ltd	25	
149	CSSC Shanghai Shipbuilding Industry Co., Ltd	25	
150	Shanghai Huachuan Asset Management Co., Ltd.	25	
151	Shanghai Yangzi International Travel Agency Co., Ltd.	25	
152	CSSC (Hongkong) Shipping Leasing Co., Ltd.	16.5	3.5 (6)
153	China Bridge Shipping Co. Ltd.	16.5	3.5 (6)
154	CP Global Holdings	16.5	3.5 (6)
155	Rui Lin Marine Engineering Co., Ltd.	17	3.5 (7)
156	CSSC Financial Leasing (Tianjin) Co., Ltd.	25	
157	CSSC Financial Leasing (Shanghai) Co., Ltd.	25	
158	China Shipbuilding and Marine Engineering Design and Research Institute	15	3.5 (5)
159	Shanghai CSSC National Engineering Research Center Co., Ltd.	15	3.5 (5)
160	Shanghai Haixun Electromechanical Engineering Co. Ltd.	15	3.5 (5)
161	Shanghai Hai Qin Property Management Co., Ltd.	20	3.5 (8)
162	Shanghai Songyuan Ship Science and Technology Communication Center	20	3.5 (8)
163	Shanghai Ship & Ocean Engineering Design Co., Ltd.	20	3.5 (8)
164	Guangzhou CSSC Wenchong Shipyard Co., Ltd	15	3.5 (5)
165	Guangzhou Nanfang Special Painting Co., Ltd.	25	
166	CSSC Power Reserch Institute Co., Ltd	15	3.5 (5)
167	CSSC Marine Power Technology Service Co., Ltd.	25	
168	CSSC Offshore and Marine Engineering (Group) Co., Ltd	25	
169	Guangzhou Hongfan Computer Technology Co., Ltd.	15	3.5 (5)
170	CSSC Huangpu Wenchong Shipping Co., Ltd.	15	3.5 (5)
171	Rongguang Development Limited	16.5	3.5 (6)
172	Pan Wide Development Limited	16.5	3.5 (6)
173	Zhanjiang Nanhai Warship Hi-tech Service Co., Ltd.	20	3.5 (8)
174	Guangzhou Zhongchuan Wenchong Bingshen Equipment Co., Ltd.	25	
175	Huashun International Shipping Co., Ltd.	25	

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NO.	Corporate name	Tax rate (%)	Note
176	Guangzhou Wenchuan Heavy Industry Co., Ltd.	25	
177	CSSC (Guangzhou) New Energy Co., Ltd.	25	
178	Guangzhou Xinhang Human Resources Service Co., Ltd.	25	
179	Guangzhou Wenchong Shipyard Co., Ltd.	25	
180	Guangzhou Star Ocean Engineering Design Co., Ltd.	25	
181	Guangzhou HS Marine Engineering Co., Ltd.	25	
182	Guangzhou Longxue Real Estate Co., Ltd.	25	
183	Hualong International Shipping Co., Ltd.	25	
184	Guangzhou Shipyard International Co., Ltd.	25	
185	Guangzhou Guangli Marine Human Resources Service Co., Ltd.	25	
186	Zhongshan GSI Shipping & Marine Engineering Co., Ltd.	25	
187	Guangzhou Yonglian Steel Structure Co., Ltd.	25	
188	Guangzhou GS Large Machinery & Equipment Co., Ltd.	25	
189	Guangdong GSI Elevator Co., Ltd.	25	
190	Guangzhou Longxue Pipe Industry Co., Ltd.	25	
191	Guangzhou Xingshun Ship Service Co., Ltd.	25	
192	Guangzhou Hongfan Hotel Co., Ltd.	25	
193	CSSC Technology Co., Ltd.	25	
194	THE NINTH DESIGN & RESEARCH INSTITUTE ENGINEERING CO.,LTD.	15	3.5 (5)
195	Shanghai Jiangnan Marine Electrical Equipment Co., Ltd.	25	
196	CSSC Huahai Marine Equipment Co., Ltd.	25	
197	CSSC Design & Research Institute Co., Ltd.(CSEI)	25	
198	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	25	
199	Shanghai Zhenhua Engineering Consulting Co., Ltd.	25	
200	Shanghai Jiuhong Development Industry Company	25	
201	Shanghai Jiuyin Investment Development Co., Ltd.	25	
202	Shanghai Chongming CSSC Construction Co., Ltd.	25	
203	Shanghai CSSC Ninth Institute Engineering Consulting Co., Ltd.	25	
204	Shanghai Jiusheng Architectural Design Co., Ltd.	25	
205	Yangzhou Sanwan Investment Development Co., Ltd.	25	
206	Changshu CSSC Meili Urban-Rural Integration Construction Co., Ltd.	25	
207	Shanghai CSSC building Technology Development Co., Ltd.	25	
208	Jiangnan Derris (Nantong) Marine Equipment Manufacturing Co., Ltd.	25	
209	Shanghai CSSC Geotechnical Engineering Co., Ltd.	25	
210	Shanghai Puzhou Industrial Co., Ltd.	25	
211	Shanghai Lu Pu Bridge Investment and Development Co., Ltd	25	

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NO.	Corporate name	Tax rate (%)	Note
212	CSSC Heavy Equipment Co., Ltd	25	
213	China CSSC Holdings Limited	25	
214	Hudong Heavy Machinery Co., Ltd	15	3.5 (5)
215	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	15	3.5 (5)
216	CSSC Chengxi Shipbuilding Co. Ltd.	15	3.5 (5)
217	Shanghai Jiangnan Changxing Heavy Industry Co., Ltd.	15	3.5 (5)
218	China Shipping Equipment Co., Ltd.	15	3.5 (5)
219	Shanghai Waigaoqiao Shipbuilding Marine Engineering Design Co., Ltd.	15	3.5 (5)
220	Shanghai Waigaoqiao Shipbuilding Marine Engineering Co., Ltd.	15	3.5 (5)
221	CSSC Chengxi Senior Technical School	25	
222	Jiangyin CSSC Chengxi Senior Technical School Internship Factory	25	
223	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	15	3.5 (5)
224	CSSC Marine Power Components Co., Ltd.	15	3.5 (5)
225	Shanghai CSSC Marine Boiler Equipment Co., Ltd.	25	
226	CSSC Chengxi Xinrong Shipping Co., Ltd.	25	
227	CSSC Chengxi (Jiangsu) Heavy Industry Co., Ltd.	25	
228	Shanghai Hudong Shipbuilding Diesel Engine Accessories Co., Ltd.	25	
229	CSSC Cruise Technology Development Co., Ltd.	25	
230	CSSC Chengxi Yangzhou Shipping Co., Ltd.	25	
231	Zhangjiagang Jiangnan Steel Structure Co., Ltd.	25	
232	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	15	3.5 (5)
233	Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	15	3.5 (5)
234	Shanghai Huxu Equipment Engineering Co., Ltd.	25	
235	Shanghai Edward Shipbuilding Co., Ltd.	25	
236	Shanghai Hudong Forging Factory Co., Ltd.	25	
237	Shanghai Dongyun Ship Engineering Co., Ltd.	25	
238	Shanghai Dongxin Software Engineering Co., Ltd.	15	3.5 (5)
239	Hudong Zhonghua Shipbuilding Group Changxing Shipbuilding Co., Ltd.	25	
240	Shanghai Hudong Shipbuilding Glib Pump Co. Ltd.	15	3.5 (5)
241	Shanghai Xinwu Industry and Trade Co., Ltd.	25	
242	Shanghai East Ship Logistics Co., Ltd.	25	
243	Shanghai Dongzhou Industrial Co., Ltd.	25	
244	Shanghai Chongnan Metal Structure Parts Co., Ltd.	25	
245	Shanghai Dongding Steel Structure Co., Ltd.	15	3.5 (5)
246	Shanghai Hukai Steel Structure Co., Ltd.	25	
247	Shanghai Shipping Property Management Co., Ltd.	25	



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NO.	Corporate name	Tax rate (%)	Note
248	CSSC Power Equipment Co., Ltd.	15	3.5 (5)
249	Shanghai Lezhou Power Generation Equipment Co., Ltd.	25	
250	Nantong Shipping Electricity Station Operation Department	25	
251	Hudong Zhonghua Shipbuilding Group Ship Equipment Co., Ltd.	25	
252	Shanghai Changxing Metal Processing Co., Ltd.	25	
253	Shanghai Hudong No. Three Ship Accessories Co. Ltd.	15	3.5 (5)
254	Hudong Zhonghua Shipbuilding Group Advanced Technical School	0	3.5 (1)
255	Shanghai Hudong Marine Parts Factory Co., Ltd.	25	
256	Shanghai Hudong Shipbuilding Valve Co., Ltd.	25	
257	Shanghai Shipyard Co., Ltd.	15	3.5 (5)
258	Shanghai Shipyard Songjiang Branch	25	
259	Shanghai Shipyard Pudong Marine Equipment Factory	25	
260	Shanghai Shipyard Yangshuo Branch	25	
261	Shanghai Shanghang New Donglian Ship Engineering Co., Ltd.	20	3.5 (8)
262	Shanghai Heqing Shipyard Ship Accessories Factory	20	3.5 (8)
263	Shanghai Shipyard Investment Management Co., Ltd.	25	
264	Shanghai JunZhou Real Estate Development and Management Co., Ltd.	25	
265	Shanghai Zhouxin Property Co., Ltd.	25	
266	Shanghai Zhengmao Industrial Chain Factory Co., Ltd.	25	
267	Shanghai Shipyard Technical School	25	
268	Shanghai Pudong New Area Binjiang Vocational Technology Training School	25	
269	Shanghai Pudong New Area Security Technology Training Center	25	
270	Shanghai Pudong Shanghang Shipping Vocational Technical School	25	
271	Shanghai Lingqiao Shipyard Shipbuilding and Repair Factory	20	3.5 (8)
272	CSSC Jiangxi Chaoyang Machinery Plant	25	
273	Jiujiang Precision Testing Technology Research Institute	15	3.5 (5)
274	Jiujiang Lushan Cuizhu Villa Co., Ltd.	25	
275	Jiujiang Jingda Detection Technology Co. Ltd.	15	3.5 (5)
276	Shanghai Ship Design and Research Institute	15	3.5 (5)
277	Shanghai Starry Ship Marine Engineering Services Co., Ltd.	15	3.5 (5)
278	CSSC Power Co., Ltd	15	3.5 (5)
279	Anqing CSSC Diesel Engine Co., Ltd.	15	3.5 (5)
280	Anqing Marine Electric Co., Ltd.	15	3.5 (5)
281	Anqing Shipbuilding Power Co., Ltd.	25	
282	CSSC Anqing Kil Engine Co., Ltd.	25	
283	Zhenjiang CSSC Modern Power Equipment Co., Ltd.	15	3.5 (5)

NO.	Corporate name	Tax rate (%)	Note
284	CSSC Jiujiang Industry Co., Ltd.	25	
285	Jiujiang Haitian Equipment Manufacturing Co., Ltd.	25	
286	Jiangxi CSSC Navigation Instrument Co., Ltd.	15	3.5 (5)
287	Jiujiang CSSC Firefighting Equipment Co., Ltd.	15	3.5 (5)
288	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	25	
289	Jiujiang CSSC Chemical Technology Co., Ltd.	20	3.5 (8)
290	Jiujiang CSSC Firefighting Automation Co., Ltd.	15	3.5 (5)
291	Jiujiang CSSC Changan Firefighting Equipment Co., Ltd.	15	3.5 (5)
292	China Shipbuilding Industry Trade Jiujiang Company	25	
293	Jiujiang Shipbuilding Trading Co., Ltd.	25	
294	The Eleventh Research Institute of China State Shipbuilding Corporation	15	3.5 (5)
295	Shanghai Zhouyi Construction Engineering Advisory Monitoring Co., Ltd.	25	
296	Shanghai Taike Industrial Company	25	
297	Shanghai Graco Technical Service Station	25	
298	Shanghai Shenbo Information System Engineering Co., Ltd.	15	3.5 (5)
299	Shanghai CSSC Lingang Shipping Equipment Co., Ltd.	25	
300	Shanghai Bada Coating Equipment Factory Co., Ltd.	5	3.5 (4)
301	Shanghai CSSC Firefighting & Anticorrosive Engineering Technology Co., Ltd.	25	
302	Shanghai Shipbuilding Engineering Quality Inspection Co., Ltd.	25	
303	Shanghai CSSC Materials Engineering Co., Ltd.	25	
304	Shanghai Shipping Technology Research Institute Zhoushan Ship Engineering Research Center	25	

### 6.3 Significant tax incentives and approval documents

#### 6.3.1 Value-added tax

(1) Export income: In some units of the Group, self-exported and self-produced goods are subject to exemption, deduction, and refund, with a tax rebate rate of 17%.

(2) Income from medical services: According to the "Provisional Regulations on Business Tax of the People's Republic of China" (Decree No. 136 of the State Council of the People's Republic of China on December 13, 1993), the provision of medical services is exempted from business tax; according to the "Notice of the change of business tax to VAT pilots" (Caixi [2016] No. 36) issued by the Ministry of Finance and the State Administration of Taxation, and the "Business tax to VAT" policy, starting from May 1 2016, medical treatment provided by Shanghai Jiangnan Shipbuilding Group staff hospital and other units of the Group, which are exempt from VAT.

(3) Revenue from the provision of educational services: According to the "Notice of the Ministry of

Finance and the State Administration of Taxation on Educational Tax Policies” (Finance and Tax [2004] No. 39), the provision of educational services offered by schools that are engaged in the academic education is exempt from business tax; according to the “Circular on the Full Implementation of the Business Tax Reform for VAT Reform Pilots” (Cai Si [2016] No. 36) issued by the Ministry of Finance and the State Administration of Taxation and the “Business tax to VAT” policy, starting from May 1, 2016, the Group’s subsidiary Jiangnan Shipbuilding Group Occupational Technology School and Shanghai Jiangnan Vocational Skills Training Center and other units engaged in the academic education, of which the income from the provision of education and labor services are exempt from VAT.

#### 6.3.2 Corporate income tax

(1) Six subsidiaries, including, Shanghai Jiangnan Shipbuilding Group Staff Hospital, provide non-taxable services and the corporate income tax rate is zero.

(2) Two overseas subsidiaries, including, China Shipbuilding Industry Trade (BVI) Co., Ltd., is registered in the British Virgin Islands and the corporate income tax rate is zero.

(3) Five overseas subsidiaries, including, CS Shipping Company Limited, are registered in the Marshall Islands with a corporate income tax rate of zero.

(4) Shanghai Bada Coating Equipment Factory Co., Ltd., adopted verification collection method, and the taxable income is calculated as 5% of the income.

(5) Fifty-nine subsidiaries, including, Jiangnan Shipbuilding (Group) Co., Ltd., obtained the “High-tech Enterprise Certificate” and the corporate income tax rate is 15%.

(6) Thirteen overseas subsidiaries, including, China Shipbuilding Complete Logistics (Hong Kong) Co., Ltd., all registered in Hong Kong, and implemented the capital gains tax at a rate of 16.5%.

(7) CSSC Energy (Singapore) Co., Ltd. and Ruilin Marine Engineering Co., Ltd., registered in Singapore, with a tax rate of 17%.

(8) 37 subsidiaries, including, CSSC Property Management Co., Ltd. are small profit-making enterprises with a taxable income of less than RMB 500,000 (including RMB 500,000), of which the income is reduced by 50% to be included in the taxable income, and with a tax rate of 20%, to pay the corporate income tax.

(9) Winterthur Gas & Diesel AG, registered in Switzerland, with a tax rate of 27.38%.

## 7. Business combinations and consolidated financial statements

7.1 The basic information of the subsidiaries which are included in the scope of consolidated financial statements

(Unit: RMB 0'000)

No.	Company name	Level	Company type	Main place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
1	China Shipbuilding and Marine Engineering Design and Research Institute	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	48,337.58	100	100	51,307.05	1
2	China Institute of Marine Technology and Economy	2	4	Beijing	Beijing	Engineering and technology research and experimental development	14,888.17	100	100	3,594.07	1
3	China State Shipbuilding Industry Systems Research Institute	2	4	Beijing	Beijing	Research on ship system engineering	138,784.88	100	100	75,752.64	1
4	China Shipbuilding Trading Co., Ltd	2	1	Beijing	Beijing	Other machinery equipment and wholesale of electronics	33,355.02	50	100	16,677.51	1
5	China Shipbuilding Industry Bureau of Retired Officials	2	1	Beijing	Beijing	Other unlisted services	0	50	100	0.00	1
6	The Eleventh Research Institute of China State Shipbuilding Corporation	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	8,605.00	100	100	10,359.23	1
7	China Shipbuilding Industry Government Service Center	2	4	Beijing	Beijing	Office services and living services of office employees	4,710.18	50	100	1,417.83	1
8	China CSSC Holdings Limited	2	1	Shanghai	Shanghai	Metal shipbuilding	137,811.76	51.18	51.18	222,227.95	1
9	China Ship News Agency	2	4	Beijing	Beijing	News industry	100	50	100	50.00	1
10	CSSC (Hongkong) Shipping Leasing Co., Ltd.	2	3	Hong Kong	Hong Kong	Lease of other machinery and equipment	377,193.03	100	100	374,882.51	1
11	CSSC Investment and Development Co., Ltd	2	1	Beijing	Beijing	Investment management	600,000.00	100	100	600,302.69	1
12	CSSC Shanghai Shipbuilding Industry Co., Ltd	2	1	Shanghai	Shanghai	Design, manufacture and repair of ship and marine mechanical and electrical products	1,460.00	100	100	4,502.71	1

No.	Company name	Level	Company type	Main place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
13	CSSC Jiujiang Industry Co., Ltd	2	1	Jiujiang	Jiujiang	Metal shipbuilding	27,115.98	100	100	66,345.86	1
14	CSSC Southern China Marine Machinery Co., Ltd	2	1	Wuzhou	Wuzhou	Marine equipment manufacturing	34,580.51	100	100	39,108.70	1
15	CSSC Guangxi Shipping and Marine Engineering Co., Ltd	2	1	Guangxi	Guangxi	Metal shipbuilding	88,774.29	81.83	81.83	74,741.60	1
16	CSSC Industrial Complete Logistics Co., Ltd	2	1	Shanghai	Shanghai	Freight forwarding agent	101,503.82	100	100	101,503.82	1
17	CSSC Technology Co., Ltd.	2	1	Shanghai	Shanghai	Marine equipment manufacturing	73,624.99	41.28	41.28	87,573.94	1
18	CSSC Power Co., Ltd	2	1	Zhenjiang	Zhenjiang	Marine equipment manufacturing	128,715.01	100	100	167,470.54	1
19	CSSC Power Research Institute Co., Ltd	2	1	Shanghai	Shanghai	Engineering and technology research and experimental development	102,077.00	100	100	102,077.00	1
20	CSSC Electronic Technology Co., Ltd	2	1	Beijing	Beijing	Marine equipment manufacturing	100,360.00	100	100	132,201.49	1
21	Guangzhou CSSC Wenchong Shipyard Co., Ltd	2	1	Guangzhou	Guangzhou	Ship modification and repair	164,384.10	100	100	83,684.25	3
22	CSSC Finance Co., Ltd	2	2	Shanghai	Shanghai	Finance company	300,000.00	100	100	322,897.72	1
23	Shanghai Ruizhou Real Estate Development Co., Ltd	2	1	Shanghai	Shanghai	Real estate development and management	10,000.00	82	82	8,200.00	1
24	Shanghai Ruiyuan Real Estate Development Co., Ltd	2	1	Shanghai	Shanghai	Real estate development and management	9,000.00	100	100	19,978.30	1
25	Shanghai Lu Pu Bridge Investment and Development Co., Ltd	2	1	Shanghai	Shanghai	The municipal public facilities management	10,000.00	60	60	6,000.00	1
26	Shanghai Jiangnan Shipyard Co., Ltd.	2	1	Shanghai	Shanghai	Marine equipment manufacturing	35,358.02	100	100	31,272.41	1
27	Shanghai Ship Design and Research Institute	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	3,163.90	100	100	5,537.19	1
28	Nanjing CSSC Lvzhou Machinery Co., Ltd	2	1	Nanjing	Nanjing	Marine equipment manufacturing	56,722.00	100	100	68,161.22	1
29	Jiujiang Precision Testing Technology Research Institute	2	4	Jiujiang	Jiujiang	Instrumentation, precision test equipment manufacturing and testing	30,175.58	100	100	21,860.80	1

No.	Company name	Level	Company type	Main place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
30	CSSC Jiangxi Chaoyang Machinery Plant	2	1	Pengze	Pengze	Marine equipment manufacturing	1,533.46	100	100	4,540.00	1
31	Jiangnan Shipyard (Group) Co., Ltd	2	1	Shanghai	Shanghai	Metal shipbuilding	293,156.01	100	100	394,141.02	1
32	Hualian Shipyard Co., Ltd	2	3	Hong Kong	Hong Kong	Trade brokers and agents	9,215.48	50	100	4,607.74	1
33	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	2	1	Shanghai	Shanghai	Metal shipbuilding	341,725.11	100	100	394,016.11	1
34	Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd	2	5	Guangzhou	Guangzhou	The management and contraction of shipyard construction projects	2,000.00	100	100	2,000.00	1
35	Guangzhou Shipbuilding Co., Ltd	2	1	Guangzhou	Guangzhou	Metal shipbuilding	15,000.00	100	100	15,000.00	1
36	CSSC Offshore and Marine Engineering (Group) Co., Ltd	2	1	Guangzhou	Guangzhou	Metal shipbuilding	141,350.64	59.97	59.97	370,810.46	1
37	Guangzhou Shipbuilding and Marine Engineering Design and Research Institute	2	4	Guangzhou	Guangzhou	Engineering and technology research and experimental development	4,105.53	100	100	70.85	1
38	Guangzhou Shipbuilding Industry Co., Ltd.	2	1	Guangzhou	Guangzhou	Design, manufacture and repair of ship and mechanical and auxiliary equipment	7,370.94	100	100	96,730.16	1
39	Beijing Shipbuilding Industry Management Cadres Institute	2	4	Beijing	Beijing	Other unlisted education	561.37	100	100	654.66	1
40	CSSC Heavy Equipment Co., Ltd	2	1	Guangzhou	Guangzhou	Marine equipment manufacturing	9,300.00	100	100	9,300.00	1
41	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	2	1	Beijing	Beijing	Investment and asset management	10,000.00	100	100	10,000.00	1

Note: Company type: 1 Domestic non-financial subsidiary; 2 Domestic financial subsidiary; 3 Overseas subsidiary; 4 State-run institution; 5 Construction institution of infrastructure.  
Acquisition method: 1 Established from investment; 2 Business combination under same control; 3 Business combination not under same control; 4 Others.

7.2 The reason for controlling the invested corporate while holding less than half of the voting rights of it

(Unit: RMB 0'000)

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason of included in the scope of consolidation
1	CSSC Technology Co., Ltd.	41.28	41.28	73,624.99	87,573.94	2	Major shareholders of listed companies, substantive control
2	Jiujiang CSSC Fire Fighting Automation Co., Ltd.	43.00	51.00	200.00	86.00	4	Signed a joint agreement on voting with Shanghai Shengyu machinery and Equipment Co., Ltd. (holding 8%), CSSC Jiujiang Ship Fire Equipment Co., Ltd. actually holds 51% of the voting rights, forming substantive control.
3	Shanghai Jiu Sheng Architectural Design Co., Ltd.	30.00	30.00	100.00	30.00	4	The general manager and financial director of Shanghai Jiusheng architectural design limited company appointed by No.9 institute, other shareholders are natural persons. No.9 institute is the biggest shareholder having substantive control.
4	Shanghai Sino Swiss general aviation Co., Ltd.	39.39	39.39	3,300.00	1,300.00	4	Substantive control
5	Tianjin CSSC Jianxin Haigong Investment Management Co., Ltd.	16.68	16.68	750,100.00	125,100.00	3	The group has to ensure the company invests China Life Insurance Company and Shanghai branch of China Construction Bank to get the expected revenue and exit in time with no condition.

7.3 The reason for failing to control the invested corporate while holding more than half of the voting rights of it directly or indirectly through other subsidiaries

(Unit: RMB 0'000)

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason of not included in the scope of consolidation
1	Anqing Far East Trade Corporation	100	100	56.3	201.06	4	revoked
2	Anqing Far East Color Printing Packing Factory	100	100	20	14.53	4	revoked
3	Beijing CSSC Gas Engineering Co., Ltd	100	100	55	55.00	3	Stop operating
4	Southern environment co. LTD.	60	60	50,000.00	3,000.00	3	Without substantial control
5	Shanghai Dongxuan Technology Development Co., Ltd.	100	100	252.2	738.48	3	Intends to write off, has entered the liquidation procedures
6	Shanghai Hetong Labor Service Co. Ltd.	51	51	20	10.20	4	Written off

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason of not included in the scope of consolidation
7	Shanghai Huchuan Engineering Industry Co., Ltd.	83.33	83.33	1,553.59	1,294.66	3	Has entered the rectification process
8	Shanghai Huihai Ship Equipment Co., Ltd.	80	80	300	1,120.00	3	Without substantial control
9	Shanghai Kaida Ship Economic Technology Co. Ltd.	90	90	200	180.00	3	revoked
10	Shanghai Ouxiang Steel Structure Co. Ltd.	60	60	USD28.00	444.25	4	Written off
11	Shanghai Shipyard Kawada Steel Structure Co., Ltd.	66.67	66.67	USD 600.00	2,941.73	4	has entered the liquidation procedures
12	Xuzhou CSSC Sunshine Investment Development Co., Ltd.	51	51	5,000.00	2,550.00	4	Major matters of the Board shall be passed by 2/3 or above, and shall not be substantially controlled
13	CSSC - Fincantieri Cruise Industry Development Limited	60	60	108,442.60	65,065.56	5	A cooperative enterprise, Jointed controlled with foreign shareholders
14	CSSC Wartsila Engine (Shanghai) Co. Ltd.	51	51	27,000.00	13,770.00	3	Foreign shareholders have one vote veto power
15	CSSC (Europe) Co., Ltd.	100	100	488.00	412.71	2	Unable to obtain financial statements, intends to write off

#### 7.4 Details of non-wholly owned subsidiaries

##### 7.4.1 Minority shareholders

(Unit: RMB 0'000)

No.	Name of subsidiaries	Percentage of minority shareholding	Current profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated ending minority interest
1	China CSSC Holdings Limited	48.82%	-112,282.52		614,209.23
2	CSSC Offshore and Marine Engineering (Group) Co., Ltd.	40.03%	3,514.81	905.40	400,115.73
3	CSSC Technology Co., Ltd.	58.72%	1,786.18		214,468.10
4	China Shipbuilding Trading Co., Ltd.	50.00%	7,435.64		192,422.07
5	Hualian Shipyard Co., Ltd.	50.00%	640.55		38,390.26

##### 7.4.2 Main financial information

(Unit: RMB 0'000)

Item	The amount of current year				
	China CSSC Holdings Limited	CSSC Offshore and Marine Engineering (Group) Co., Ltd.	CSSC Technology Co., Ltd.	China Shipbuilding Trading Co., Ltd.	Hualian Shipyard Co., Ltd.



Item	The amount of current year				
	China CSSC Holdings Limited	CSSC Offshore and Marine Engineering (Group) Co., Ltd	CSSC Technology Co., Ltd.	China Shipbuilding Trading Co., Ltd	Hualian Shipyard Co., Ltd
Current assets	3,281,396.01	2,957,560.13	580,082.58	1,315,445.64	86,307.57
Non-current assets	1,951,261.13	1,458,206.08	514,422.24	105,417.33	43,348.00
Total assets	5,232,657.13	4,415,766.20	1,094,504.81	1,420,862.97	129,655.57
Current liabilities	1,888,649.98	2,313,742.02	439,228.15	990,775.06	28,943.10
Non-current liabilities	1,844,508.84	907,410.00	249,001.26	49,852.71	25,236.01
Total liabilities	3,733,158.82	3,221,152.02	688,229.41	1,040,627.77	54,179.12
Operating revenue	1,669,110.14	2,231,338.19	426,362.86	489,276.56	17,669.42
Net profit	-254,360.96	10,063.92	4,260.01	14,894.99	1,281.10
Total comprehensive income	-254,360.96	10,075.19	3,514.45	17,031.27	-3,754.73
Cash flows from operating activities	807,531.33	-84,721.69	-105,461.68	-18,859.32	6,209.21

(Continued)

Item	The amount of last year				
	China CSSC Holdings Limited	CSSC Offshore and Marine Engineering (Group) Co., Ltd	CSSC Technology Co., Ltd.	China Shipbuilding Trading Co., Ltd	Hualian Shipyard Co., Ltd
Current assets	3,783,113.99	3,057,749.12	672,658.61	1,374,565.94	76,471.68
Non-current assets	1,597,307.35	1,569,109.47	445,107.60	69,489.50	50,233.24
Total assets	5,380,421.34	4,626,858.58	1,117,766.21	1,444,055.43	126,704.92
Current liabilities	1,742,662.17	2,527,054.10	463,460.53	1,043,017.06	20,683.22
Non-current liabilities	1,821,387.23	1,058,724.54	250,980.67	36,933.54	26,790.51
Total liabilities	3,564,049.40	3,585,778.64	714,441.20	1,079,950.59	47,473.73
Operating revenue	2,145,707.04	2,334,960.49	530,415.19	338,868.17	21,394.41
Net profit	-301,657.54	8,668.82	-4,014.43	10,102.90	470.36
Total comprehensive income	-301,657.54	8,641.37	-3,221.98	11,899.42	4,109.53
Cash flows from operating activities	-390,460.79	-376,107.36	-70,211.49	17,126.57	12,279.14

## 7.5 Change of consolidation scope in this year

### 7.5.1 Subsidiaries newly included in the scope of consolidation in this year

Company name	Shareholding percentage (%)	Net assets at the end of Dec.31,2017	Net profit of this year	Notes
Huashun International Shipping Co., Ltd.	100.00	830,032.01	-6,088.73	Invested to establish
Hualong International Shipping Co., Ltd.	100.00	831,235.31	-4,842.30	Invested to establish
CSSC (Guangzhou) New Energy Co., Ltd.	100.00	2,427,211.09	-1,172,788.91	Invested to establish
Beijing Hairui International Trading Co., Ltd.	100.00	1,000,783.35	783.35	Invested to establish

Company name	Shareholding percentage (%)	Net assets at the end of Dec.31,2017	Net profit of this year	Notes
CSSC Culture Technology (Beijing) Co., Ltd.	100.00	3,016,019.52	16,019.52	Invested to establish
Guangdong CSSC Military and Civil Integration Research Institute Co., Ltd.				Invested to establish
Tianjin CSSC Jianxin Haigong Investment Management Co., Ltd.	16.68	7,501,027,221.25	27,221.25	Invested to establish
CSSC Marine Power Technology Service Co., Ltd.	100.00	160,807,292.78	807,292.78	Invested to establish
Wuxi Haiying Medical Technology Co., Ltd.	93.54	65,298,402.48	298,402.48	Invested to establish
CSSC Electronic Technology (Sanya) Co., Ltd.	100.00	10,012,629.03	12,629.03	Invested to establish
Guangzhou Shipyard Nursing Home Co., Ltd.	100.00	1,295,330.59	295,330.59	Invested to establish

#### 7.5.2 Subsidiaries no longer included in the scope of consolidation

Name	Net assets at the date of disposal	Net profit of this year till the date of disposal	Note
Shanghai Jiangnan Shipbuilding Expo Management Co., Ltd.	11,370,025.12	346,439.26	Written off
China shipbuilding Beihai ship repair construction Co., Ltd.	9,924,150.39	494,073.20	Written off
Shanghai Jiangnan Shipyard Computer Engineering Company	981,065.71	4,968.87	Written off
Shanghai Jiangnan Mechanical & Electrical Engineering Company	3,886,242.52	0.00	Written off
Shanghai Rui Su Enterprise Development Co., Ltd.	220,975.62	-31,315.16	Written off
Shanghai Gangcheng CSSC Construction Co., Ltd.	741,471.76	1,597.31	Written off
Shanghai Waigaoqiao Shipbuilding International Trade Co., Ltd.	8,380,477.39	571,025.44	Written off
Shanghai Shipyard Kawada Steel Structure Co.,Ltd.	49,305,885.13	-2,841,867.96	In liquidation procedure
Haihua Ship Repairing Engineering Co.,Ltd.	13,568,221.76	-3,602,521.17	Written off
Pan Guang (Macao) Development One-person Co., Ltd	2,388,224.00	837,342.00	Closed
Guangzhou Guangchuan International Marine Engineering Co., Ltd.	11,487,344.81	-7,498.30	Written off
Guangzhou Jinzhou Ship Technology Co., Ltd.	31,964,362.18	-453,322.58	Liquidated , waiting for writing off
Beijing Changjing Advertising Company	322,062.32	-99,833.91	Revoked, and witten off
Shanghai Liangxing Steel and Plastic Compound Pipe Factory	3,839,380.26	-453,970.17	Written off

## 8. Notes to the consolidated financial statements

### 8.1 Monetary funds

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Cash on hand	3,980,815.78	4,648,606.83
Cash at bank	54,774,463,981.75	57,344,506,683.00
Other monetary funds	6,620,818,218.10	7,957,334,765.98

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
<b>Total</b>	<b>61,399,263,015.63</b>	<b>65,306,490,055.81</b>
Including: the total balance deposited overseas	594,709,757.61	502,980,251.24

List of restricted monetary funds

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Bank acceptance deposits	377,832,299.17	327,721,406.02
The letter of credit, performance and guarantee deposit	2,090,766,279.30	1,157,004,166.93
Time (notice) deposits for collateral or pledge	868,345,358.60	1,831,942,094.37
Central bank reserve	2,602,557,021.90	2,635,789,592.41
Time deposits over three months	-	1,450,411,320.00
Forward foreign exchange settlement deposit	7,000,609.97	214,487,666.21
Employee housing special fund	12,629,893.39	15,717,341.43
Frozen bank deposit accounts	36,456.27	
Foreign exchange trading margin accounts	9,474,590.00	
Lawsuit property preservation	4,000,000.00	
<b>Total</b>	<b>5,972,642,508.60</b>	<b>7,633,073,587.37</b>

8.2 Financial assets measured at fair value through profit or loss for the current period

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Financial assets held for trading	2,555,500,428.92	1,965,525,818.26
Including: Debt instrument investment		
Equity instrument investment	80,539,470.47	25,658,388.42
Others	2,474,960,958.45	1,939,867,429.84
Financial assets designated upon initial recognition as at fair value through profit or loss	542,736,333.61	10,887,901.41
Including: Debt instrument investment		
Equity instrument investment	506,097,077.70	10,887,901.41
Others	36,639,255.91	
<b>Total</b>	<b>3,098,236,762.53</b>	<b>1,976,413,719.67</b>

8.3 Notes receivable

8.3.1 Classification

Category	Balance as at 31/12/2017	Balance as at 1/1/2017
Bank acceptance bills	1,981,919,410.35	841,256,422.26
Trade acceptance bills	659,124,916.85	1,190,852,504.69
<b>Total</b>	<b>2,641,044,327.20</b>	<b>2,032,108,926.95</b>

### 8.3.2 Notes receivables pledged at the end of year

Category	Amount pledged at the end of year
Bank acceptance bills	772,131,876.57

### 8.3.3 Notes receivables endorsed or discounted at the end of year and are not mature on the balance sheet date

Category	Amount derecognised at the end of year	Amount not derecognised at the end of year
Bank acceptance bills	636,908,852.84	26,219,216.17
Trade acceptance bills	88,080,796.61	138,008,446.51
<b>Total</b>	<b>724,989,649.45</b>	<b>164,227,662.68</b>

### 8.4 Accounts receivable

Item	As at 31/12/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Individually significant and subject to separate allowance	259,238,633.76	2.22	243,368,340.96	93.88
Allowance for doubtful debts on portfolio	11,313,195,622.23	96.90	622,513,846.38	5.50
Including: Accounts receivable from related parties	54,139,554.99	0.46		
Accounts receivable generally assured to be collected	2,264,357,941.53	19.40		
Accounts receivable from state-run institutes	613,301,448.43	5.25		
Aging analysis method	6,832,166,533.24	58.52	614,740,557.17	9.00
Balance percentage method	1,549,230,144.04	13.27	7,773,289.21	0.50
Individually insignificant but allowance for doubtful debts individually	102,315,246.64	0.88	101,218,979.17	98.93
<b>Total</b>	<b>11,674,749,502.63</b>	<b>—</b>	<b>967,101,166.51</b>	<b>—</b>

(Continued)

Item	As at 1/1/2017			
	Balance		Provision for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Individually significant and subject to separate allowance	675,484,522.18	5.79	350,573,870.47	51.90
Allowance for doubtful debts on portfolio	10,969,937,000.24	94.03	604,946,517.86	5.51
Including: Accounts receivable from related parties	43,993,900.00	0.38		
Accounts receivable generally assured to be collected	1,095,984,130.12	9.39		

Item	As at 1/1/2017			
	Balance		Provision for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Accounts receivable from state-run institutes	562,913,652.32	4.83		
Aging analysis method	8,041,001,782.25	68.92	598,816,777.70	7.45
Balance percentage method	1,226,043,535.55	10.51	6,129,740.16	0.50
Individually insignificant but allowance for doubtful debts individually	21,158,186.26	0.18	21,158,186.26	100.00
<b>Total</b>	<b>11,666,579,708.68</b>	<b>—</b>	<b>976,678,574.59</b>	<b>—</b>

#### 8.4.1 Accounts receivable that are individually significant and subject to separate allowance

Company name	Book Balance	Allowance for doubtful debts	Aging	Allowance rate (%)	Allowance reason
<b>Total</b>	<b>259,238,633.76</b>	<b>243,368,340.96</b>			
Aochuangxuan (Hongkong) Shipping Co. Ltd.	39,794,577.11	39,794,577.11	More than 5 years	100.00	reappraise the stocks and assets of enterprises
Shanghai Shangyou Industry Group Co., Ltd.	39,675,732.00	23,805,439.20	2-3 years	60.00	Entry into litigation, but litigation preservation assets can fully covered
Sinovel Technology (Group) Inc. Co.	38,513,670.00	38,513,670.00	4-5 years	100.00	Financial strain
China Telecom Best Tone Information Co., Ltd.	29,219,100.00	29,219,100.00	More than 2-3 years	100.00	In the stage of litigation
Anhui Taike Tower Co., Ltd.	20,002,450.36	20,002,450.36	More than 3 years	100.00	In the stage of litigation, no enough assets to pay
Zhejiang Shipping Group Zhoushan Wuzhou Shipbuilding and Repairing Co., Ltd.	17,704,532.21	17,704,532.21	More than 3 years	100.00	Bankrupted
Wuxi Guomao Metal Products Co. Ltd.	12,855,436.68	12,855,436.68	More than 1-2 years	100.00	In the stage of litigation, no enough assets to pay
Nuclebrás Equipamentos Pesados S.A.	7,521,986.56	7,521,986.56	More than 3 years	100.00	Long account aging, with signs of not recover
Jiangsu Rongsheng Heavy Industries Co., Ltd.	5,789,855.00	5,789,855.00	3-5 years	100.00	Not repaid
Zhejiang Taike Tower Co., Ltd.	5,237,147.33	5,237,147.33	More than 3 years	100.00	In the stage of litigation, no enough assets to pay
Shanghai Shipyard Six Mile Branch	5,181,309.51	5,181,309.51	More than 5 years	100.00	Closed
Wuxi haiyuan heavy industry Co., Ltd.	4,239,436.57	4,239,436.57	Within 1 year	100.00	Liquidation
Malaysia (Katina Co., Ltd.)	3,697,465.00	3,697,465.00	More than 5 years	100.00	reappraise the stocks and assets of enterprises

Company name	Book Balance	Allowance for doubtful debts	Aging	Allowance rate (%)	Allowance reason
VARADAONEPTELTD	3,414,119.50	3,414,119.50	3year and 9 months	100.00	Bankrupted
Greece SekurHlodingInc	3,402,844.50	3,402,844.50	4-5 years	100.00	reappraise the stocks and assets of enterprises
Zhejiang Zhenghe Shipbuilding Co. Ltd.	2,942,790.00	2,942,790.00	More than 3years	100.00	reappraise the stocks and assets of enterprises
Rongcheng Shenfei Shipbuilding Co. Ltd.	2,017,800.00	2,017,800.00	More than 3years	100.00	Inquiry for reappraising the stocks and assets of enterprises

8.4.2 The provision for doubtful accounts receivable according to the combination of credit risk characteristics

(1) Accounts receivables of related party

Detail information is in 12.5 related party receivable and payable.

(2) Accounts receivable generally assured to be collected

Name	Book balance	The reason of not accrual
<b>Total</b>	<b>2,264,357,941.53</b>	
Including: Clients A	431,338,000.00	Product warranty is expected to recover
Clients B	394,282,400.00	Product warranty is expected to recover
Clients C	239,645,000.00	Recovery risk is small, is expected to recover
Clients D	219,083,388.26	Product warranty is expected to recover
Clients E	92,970,000.00	Recovery risk is small, is expected to recover
Bohai Shipyard Group Co., Ltd.	56,680,000.00	Recovery risk is small, is expected to recover
Shanghai Lian Hai Industrial Co., Ltd.	38,646,559.91	Product warranty is expected to recover
Dalian Shipbuilding Industry Co., Ltd.	28,530,570.00	Recovery risk is small, is expected to recover
China Offshore Oilfield Service Inc. Co. Geophysical Prospecting Division	22,686,160.00	Recovery risk is small, is expected to recover
Tianjin Waterway Bureau Co., Ltd.	17,414,695.13	Recovery risk is small, is expected to recover
Other clients ( a total of 157 )	15,999,837.50	Recovery risk is small, is expected to recover
State-owned No.426 factory	12,676,255.90	is expected to recover
Clients J	11,470,000.00	Recovery risk is small, is expected to recover
Shanghai Residential Construction Machinery Co., Ltd.	10,618,059.80	Recovery risk is small, is expected to recover
PT BERLIAN LAJU TANKER TBK	9,801,300.00	The affiliated party of subsidiary, have priority mortgage
Clients K	9,193,400.00	is expected to recover
Clients L	8,885,560.00	is expected to recover
Wuchang Ship Heavy Industry Group Co., Ltd.	8,580,590.07	No provision in accordance with accounting policy

Name	Book balance	The reason of not accrual
Shanghai Aerospace System Engineering Institute	8,549,000.00	A research institute asked mainly models and equipments. The funds are affected by the progress of the payment, and no bad debts will be formed
Guilin Fuda cruise ship Co., Ltd.	8,390,000.00	is expected to recover
Clients M	7,945,600.00	is expected to recover
CNOOC Energy Development Inc. Co.	7,668,904.00	Product warranty is expected to recover
Clients G	7,440,000.00	Product warranty is expected to recover
Clients N	7,374,950.00	is expected to recover
Zhangjiagang Changyi Transportation Co., Ltd.	6,580,000.00	Recovery risk is small, is expected to recover
Fujian Boote Valve Manufacturing Co., Ltd.	6,473,694.20	is expected to recover
Tongji Engineering Group Co., Ltd.	6,455,142.95	The corresponding subcontract money is not paid at the same time
Beijing Institute of automation control equipment	5,581,000.00	is expected to recover
General Design Institute of Hubei Aerospace Technology Research Institute	5,503,600.00	is expected to recover
Beijing Hua Yu Zheng Tian Electronics Co., Ltd.	4,619,500.00	Recovery risk can be ignore
Shanghai Construction Engineering Group Inc. Co.	4,265,128.80	Recovery risk is small, is expected to recover
China Nuclear Industry No. 22 Construction Co., Ltd.	4,238,695.43	Recovery risk is small, is expected to recover
Hunan Building Engineering Group General Co.	4,066,959.86	Recovery risk is small, is expected to recover
Beijing jinghang computing communication institute	3,980,000.00	Recovery risk can be ignore
Zhongxing Construction Co., Ltd.	3,868,433.12	Recovery risk is small, is expected to recover
Qingdao Shipyard Co., Ltd.	3,708,000.00	is expected to recover
China Electronic Technology Instruments Co.,Ltd	3,654,000.00	Recovery risk can be ignore
Beijing TRS Information Technology Inc. Co.	3,251,500.00	is expected to recover
BSH electric (Jiangsu) Co., Ltd.	2,922,123.61	Recovery risk can be ignore
Weihai ship repair plant of 4808 factory	2,900,000.00	is expected to recover
Clients O	2,860,800.00	Recovery risk can be ignore
4806 factory	2,835,000.00	is expected to recover
Guangzhou Marine geological survey	2,716,630.61	Recovery risk can be ignore
China Pacific Property Insurance Co shipping insurance business center	2,706,065.14	Insurance agent fee
Guangzhou Salvage Bureau	2,604,438.48	Recovery risk is small, is expected to recover
Clients P	2,560,200.00	Recovery risk can be ignore
Chengdu Jiuzhou Electronic Information System Co.,Ltd	2,450,000.00	Recovery risk can be ignore
Jiangsu Dadi Yiyuan Environment Rehab Co.,Ltd.	2,424,714.70	Recovery risk is small, is expected to recover

Name	Book balance	The reason of not accrual
Shanghai Qi Yao Heavy Industry Co., Ltd.	2,367,000.00	Recovery risk is small, is expected to recover
Clients Q	2,318,000.00	is expected to recover
Xuzhou Xinwu Ship Engineering Co., Ltd.	2,289,454.96	Recovery risk is small, is expected to recover
Yangshan Marine(Shanghai)Co.,Ltd.	2,265,662.98	Recovery risk is small, is expected to recover
Beijing Institute of control engineering	2,200,000.00	Recovery risk is small, is expected to recover
CHINA NATIONAL SHIPBUILDING EQUIPMENT&MATERIALS(EAST CHINA)CO.,LTD.	2,049,391.00	is expected to recover
Hongrun Construction Group Co.,Ltd.	2,012,075.47	The corresponding subcontract money is not paid at the same time
Wuhan Marine Machinery Co., Ltd.	2,007,893.45	is expected to recover
Clients H	37,660,719.70	Recovery risk is small, is expected to recover
Clients F	32,671,881.75	Recovery risk is small, is expected to recover
Clients I	22,437,000.00	Recovery risk is small, is expected to recover

(3) Accounts receivable whose allowance for doubtful debts is using aging analysis method:

Aging	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Within 1 year	5,580,363,228.22	81.68	5,918,833.55	6,752,107,948.66	83.97	65,307,740.93
1-2 years	567,500,790.03	8.31	137,632,139.48	703,630,308.47	8.75	153,877,879.84
2-3 years	347,199,763.54	5.08	158,875,100.04	280,895,858.84	3.49	115,037,986.68
More than 3 years	337,102,751.45	4.93	312,314,484.10	304,367,666.28	3.79	264,593,170.25
Total	6,832,166,533.24	—	614,740,557.17	8,041,001,782.25	—	598,816,777.70

(4) Accounts receivable whose doubtful debts is made by balance percentage method:

Category	As at 31/12/2017			As at 1/1/2017		
	Balance	Allowance rate (%)	Allowance for doubtful debts	Balance	Allowance rate (%)	Allowance for doubtful debts
Accounts receivable with balance percentage method	1,549,230,144.04	0.50	7,773,289.21	1,226,043,535.55	0.50	6,129,740.16



#### 8.4.3 Individually insignificant but allowance for doubtful debts individually

Company name	Balance	Allowance for doubtful debts	Aging	Allowance for doubtful debts	Allowance reason
<b>Total</b>	<b>102,315,246.64</b>	<b>101,218,979.17</b>			
Zhejiang Chenye Shipbuilding Co., Ltd. (Zhejiang Dragon Group Co., Ltd.)	9,969,780.00	9,969,780.00	Over 2 years	100.00	Expected loss of reappraise the stocks and assets of enterprises
FB SHIPPING (X) LTD.	9,147,880.00	9,147,880.00	4-5 years	100.00	The rectification not completed within the agreed time limit
KCL Shipholding AS	9,147,880.00	9,147,880.00	Over 4 years	100.00	The rectification not completed within the agreed time limit
Shandong Chinachem New Material Co. Ltd.	4,330,000.00	4,330,000.00	Over 4 years	100.00	Unrecoverable
TENOVA AUSTRALIA PTY LTD	3,991,468.02	3,991,468.02	3-4 years	100.00	Hard to recover.
Dragon Aromatics (Zhangzhou) Co., Ltd.	3,834,000.00	3,834,000.00	3-4 years	100.00	Unrecoverable
Guangzhou Huayu Electrical Equipment Co., Ltd.	3,549,843.68	3,549,843.68	Over 4 years	100.00	The court has ruled that the other side has lost the case and the other party has no executable property.
Zhejiang Shipping Group Zhoushan Wuzhou Shipbuilding and Repairing Co., Ltd.	3,447,000.00	3,447,000.00	Over 3 years	100.00	Expected loss of reappraise the stocks and assets of enterprises
Fujian Changxin Shipbuilding Heavy Industry Co., Ltd.	2,786,000.00	2,786,000.00	Over 3 years	100.00	Expected loss of reappraise the stocks and assets of enterprises
WHL-FONKWANG	2,662,054.68	2,662,054.68	Over 5 years	100.00	Indications of impairment because of long overdue time
Jiangsu Eastern Heavy Industry Co., Ltd.	2,275,931.00	2,275,931.00	2-4 years	100.00	Unrecoverable

#### 8.4.4 Recovery or reversal of allowance for doubtful debts during the year

Name of debtors	Amount of recovered or reversed	Accumulated provision for doubtful debts before recovering of reversing	Reason and method of recovering of reversing
Guangzhou Huayu Electrical Equipment Co., Ltd.	406,637.00	406,637.00	Receive payment with cash
China Railway twelve Bureau Group Construction and Installation Engineering Co., Ltd.	138,281.00	138,281.00	Receive payment with cash
Fuzhou Hongjia Electronic Technology Company	60,070.00	60,070.00	Receive payment with cash
<b>Total</b>	<b>604,988.00</b>	<b>604,988.00</b>	

#### 8.4.5 Accounts receivable written-off during the year

Company name	Nature of accounts receivable	Written-off amount	Written-off reason	Written-off procedure	Whether generated by the related party transactions or not
<b>Total</b>		<b>18,902,479.06</b>			
Nantong Pacific Ocean Engineering Co., Ltd.	Machining	2,893,948.06	Bankruptcy reorganization	Board of directors approval	No
Worldwide Ship Management S.A	Repairing	2,208,454.40	Clients closed down	The general manager's office meeting approve	No
Rongcheng Shenfei Shipbuilding Co. Ltd.	Trade	2,017,800.00	Can not be recovered	The general manager's office meeting decision	No
Jiangsu Yichun Wujiazui Shipbuilding Heavy Industry Co., Ltd.	Trade	1,900,000.00	Can not be recovered	The general manager's office meeting decision	No
Penglai Bohai Shipbuilding Co. Ltd.	Trade	1,325,000.00	Can not be recovered	The general manager's office meeting decision	No
Zhejiang Zhenghe Shipbuilding Co. Ltd.	Trade	1,022,215.00	Can not be recovered	The general manager's office meeting decision	No

#### 8.4.6 Accounts receivable due from the top five debtors of the Company are as follows:

Company name	Balance	Percentage in total accounts receivable (%)	Allowance for doubtful debts
Client A	431,338,000.00	3.69	
Client B	394,282,400.00	3.38	
Client C	269,663,600.00	2.31	
Client D	239,645,000.00	2.05	
Client E	219,083,388.26	1.88	
<b>Total</b>	<b>1,554,012,388.26</b>	<b>13.31</b>	

## 8.5 Prepayments

### 8.5.1 Aging analysis of prepayments

Aging	As at 31/12/2017			As at 1/1/2017		
	Balance		Allowance for doubtful debts	Balance		Allowance for doubtful debts
	Amount	PCT(%) (%)		Amount	PCT(%) (%)	
Within 1 year	17,833,058,229.45	55.57	2,800,012.00	17,986,256,859.54	64.71	14,910,506.11
1-2 years	8,392,335,874.26	26.15	29,869,349.91	7,253,781,424.60	26.10	29,477,300.84
2-3 years	4,185,137,130.25	13.04	19,426,804.02	1,238,708,360.50	4.46	18,808,974.49
More than 3 years	1,680,323,112.42	5.24	3,404,881.46	1,313,452,989.78	4.73	4,953,730.33
<b>Total</b>	<b>32,090,854,346.38</b>	<b>—</b>	<b>55,501,047.39</b>	<b>27,792,199,634.42</b>	<b>—</b>	<b>68,150,511.77</b>

### 8.5.2 The prepayments with aging more than 1 year

Creditor name	Debtor name	Balance as at 31/12/2017	Aging	Unsettled reason
Jiangnan Shipyard (Group) Co., Ltd	China Shipbuilding Industry Corp A Research Institute	766,008,000.00	1-3 years	Not settled
China Shipbuilding Trading Co., Ltd	China Precision Machinery Import and Export Co., Ltd.	630,291,041.98	1-2 years, over 3 years	In process
Jiangnan Shipyard (Group) Co., Ltd	China Electronic Technology Group Corporation B Institute	623,180,000.00	1-3 years	Not settled
Jiangnan Shipyard (Group) Co., Ltd	China Shipbuilding Industry Corp C Research Institute	529,727,000.00	1-3 years	Not settled
CSSC Huangpu Wenchong Shipping Co., Ltd.	EMER INTERNATTONAL LIMTIED	320,519,970.03	Over 1 year	Under construction, unsettled
Hudong Zhonghua Shipbuilding (Group) Co., Ltd.	MANDIESELSE	224,687,421.41	Over 5 years	Contract not expired
<b>Total</b>	<b>—</b>	<b>3,094,413,433.42</b>	<b>—</b>	<b>—</b>

### 8.5.3 The top five prepayments are as follows:

Company name	Balance	Percentage in total prepayment (%)	Allowance for doubtful debts
Client B	1,932,100,000.00	6.02	
Jiangsu Shasteel Material Trade Co., Ltd.	1,824,184,764.62	5.68	
Client C	1,415,927,000.00	4.41	
Cangzhou China Railway Equipment Manufacturing Materials Co., Ltd.	1,097,006,211.19	3.42	
Client A	955,148,000.00	2.98	
<b>Total</b>	<b>7,224,365,975.81</b>	<b>22.51</b>	

## 8.6 Interest receivable

### 8.6.1 Items of interest receivable

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Fixed-term deposits	125,359,278.54	235,235,171.22
Entrusted loans	45,044,707.48	3,413,527.40
Bond investments	71,830,780.79	42,028,150.00
Others	13,843,640.87	134,375,394.29
<b>Total</b>	<b>256,078,407.68</b>	<b>415,052,242.91</b>

### 8.6.2 Significant overdue interest

None

## 8.7 Dividends receivable

Item	Balance as at 31/12/2017	Balance as at 1/1/2017	Reason for outstanding	Whether impaired and determination basis
<b>dividends receivable with Aging within one year</b>	<b>43,809,670.44</b>	<b>589,985.60</b>		
Including:				
Shanghai Huarun Dadong Ship Engineering Co. Ltd.	41,447,827.67		Financial strain, payment deferred	No
Jiangyin Hualxin Corrosion Control Co., Ltd	2,097,208.51		Not pay	No
Shanghai Nanlin storage and transportation company		500,000.00		No
<b>dividends receivable with Aging more than one year</b>	<b>22,629,985.60</b>	<b>23,847,902.57</b>	—	—
Including:				
Shanghai Jiangnan Construction Contractor Co., Ltd.	22,000,000.00	22,000,000.00	Not pay	No
Kunshan Lucky Sea Industrial Co., Ltd.		1,847,902.57	Not pay	No
Shanghai Nanlin storage and transportation company	500,000.00		Not pay	No
<b>Total</b>	<b>66,439,656.04</b>	<b>24,437,888.17</b>		

## 8.8 Other receivables

Category	As at 31/12/2017			
	Balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Individually significant and subject to separate allowance	808,278,046.23	33.12	750,486,306.22	92.85
Allowance for doubtful debts on portfolio	1,623,598,673.81	66.52	139,680,961.33	8.60
Including: Other receivable from related parties	3,306,211.68	0.14		

Category	As at 31/12/2017				
	Balance		Allowance for doubtful debts		
	Amount	PCT (%)	Amount	PCT (%)	
Other receivable generally to be collected	991,926,046.03	40.64			
Balance percentage portfolio	55,736,105.83	2.28			
Accounts receivable from state-run institutes	442,611,747.22	18.14	139,038,687.07	31.41	
Aging portfolios	130,018,563.05	5.32	642,274.26	0.50	
Individually insignificant but allowance for doubtful debts individually	8,727,352.36	0.36	8,727,352.36	100.00	
<b>Total</b>	<b>2,440,604,072.40</b>	<b>—</b>	<b>898,894,619.91</b>	<b>—</b>	

(Continued)

Category	As at 1/1/2017				
	Balance		Allowance for doubtful debts		
	Amount	PCT (%)	Amount	PCT (%)	
Individually significant and subject to separate allowance	538,301,050.81	26.71	423,436,256.65	78.66	
Allowance for doubtful debts on portfolio	1,469,661,839.14	72.94	149,636,624.18	10.18	
Including: Other receivable from related parties	2,152,146.44	0.12			
Other receivable generally to be collected	567,255,469.84	28.15			
Balance percentage portfolio	40,549,502.18	2.01			
Accounts receivable from state-run institutes	788,753,803.79	39.14	149,281,869.60	18.93	
Aging portfolios	70,950,916.89	3.52	354,754.58	0.50	
Individually insignificant but allowance for doubtful debts individually	7,064,933.87	0.35	7,064,933.87	100.00	
<b>Total</b>	<b>2,015,027,823.82</b>	<b>—</b>	<b>580,137,814.70</b>	<b>—</b>	

#### 8.8.1 Individually significant and subject to separate allowance of other receivables

Company name	Book balance as at 31/12/2017	Allowance for doubtful debts	Aging	Allowance rate (%)	Allowance reason
<b>Total</b>	<b>808,278,046.23</b>	<b>750,486,306.22</b>			
KOASTAL INDUSTRIES PTE. LTD	251,367,650.00	251,367,650.00	Within 1 year	100.00	applied for bankruptcy protection
Dongguan Jin Ming Trading Co., Ltd	131,936,924.88	131,936,924.88	Over 3 years	100.00	In the stage of litigation, with long aging and large risk
Shanghai Yi Xiu Oil Inc. Co.	86,737,039.23	52,042,223.54	2-3 years	60.00	Enter the stage of litigation, unable to repay
Xuzhou Taifa Special Steel Technology Co., Ltd	53,834,689.89	53,834,689.89	Over 3 years	100.00	Enter the stage of litigation, unable to repay
Guangdong Dahua Energy Co., Ltd	45,570,269.13	45,570,269.13	Over 3 years	100.00	In the stage of litigation, with long aging and large risk

Company name	Book balance as at 31/12/2017	Allowance for doubtful debts	Aging	Allowance rate (%)	Allowance reason
Shanghai State Metallurgical Kailai Industrial Co., Ltd	38,387,976.05	38,387,976.05	Over 3 years	100.00	Litigation
Nanjing Oasis Equipment Installation Engineering Co., Ltd	33,373,640.47	26,277,697.48	Over 5 year	78.74	In the bankruptcy proceedings
Qidong Shun Feng pelagic fishery Co., Ltd.	22,858,544.76	6,857,563.43	Within 1 year: 1-2 years	30.00	Overdue loan and interest
Shanghai Rui Zhou Real Estate Development Co., Ltd.	21,000,000.00	21,000,000.00	Over 5 year	100.00	Confirmed to be unrecoverable after discuss
Donghai Shipyard	17,735,550.26	17,735,550.26	Over 5 year	100.00	Bankrupted
Jiangsu Changlong Technology Co., Ltd.	15,958,425.87	15,958,425.87	Over 3 years	100.00	Enter the stage of litigation, unable to repay
Shanxi Energy General Corporation Lingshi Branch	11,600,000.00	11,600,000.00	Over 3 years	100.00	Enter the stage of litigation, unable to repay
Hong Kong Guang Hong International Co., Ltd	10,340,232.15	10,340,232.15	Over 5 year	100.00	Debt repayment, failure to recover the expected claim
Zhou Xi Electric Appliance Factory	10,218,987.50	10,218,987.50	Over 5 year	100.00	Assets to be written off
Yong An Insurance Co., Ltd. Hubei branch company	10,006,031.65	10,006,031.65	Over 5 year	100.00	Long litigation time
Shanghai Ship Accessory Factory	9,582,514.19	9,582,514.19	Over 3 years	100.00	Be insolvent and has no ability to repay
Chen Xiang	8,313,887.89	8,313,887.89	1-2 years	100.00	Be unrecoverable in accordance with the original provisions of receivables indicated by objective evidence
Ji'Nan Zhongyou Huatie Petroleum Products Sales Co., Ltd	7,775,440.98	7,775,440.98	Over 3 years	100.00	Enter the stage of litigation, unable to repay
Guangzhou Dayou Coal Sales Co., Ltd	6,112,715.01	6,112,715.01	Over 3 years	100.00	In the stage of litigation, with long aging and large risk
Chongming Electric Power Co., Ltd	5,500,700.00	5,500,700.00	5 years	100.00	Long aging, hard to recover
Shanghai Anzhi Building Technology Co., Ltd.	4,260,000.00	4,260,000.00	Over 3 years	100.00	unable to repay

#### 8. 8. 2 Allowance for doubtful debts on portfolio

##### (1) Other receivables of related party

Detail information is in 12.5 receivable and payable of related party

(2) Other receivables reasonably certain to recover

Company name	Book balance	Reason for no provision
<b>Total</b>	<b>991,926,046.03</b>	
GLM	270,000,000.00	The risk to recover is small, recoverable
China National Shipbuilding Equipment and Materials Co., Ltd	120,118,893.59	The risk to recover is small, recoverable
Petty cash	83,146,716.81	Be recoverable
Deposit and margin	63,498,672.14	Be recoverable
Wuxi City Investment Development Co., Ltd	50,000,000.00	Compensation
Shanghai Bureau Of Local Taxtion	47,583,580.79	The risk to recover is small, recoverable
Jiangnan Heavy Industry Co., Ltd.	43,360,323.89	Advance payment, expected to recover
Shanghai Yangpu Land Development Center	37,351,500.00	The risk to recover is small, recoverable
Advance payment	33,340,481.18	No provision according to accounting policy
Jiangsu Shasteel Material Trade Co., Ltd.	33,250,000.00	Basically certained recover
Advance payment for going abroad	18,571,542.22	No provision according to accounting policy
Shanghai Transportation Commission	17,860,000.00	Financial subsidy
Housing security and housing administration of Chongming District, Shanghai	12,811,084.92	Deposit, expected to be retracted
Housing warranty fund	11,951,586.39	The risk to recover is small, recoverable
Non tax income special account of Zhangjiagang Finance Bureau	11,433,600.00	Basically certained recover
Retirement annuity in Korea	10,604,726.37	The risk to recover is small, recoverable
House purchase fund	7,464,069.00	No provision according to accounting policy
Zhangjiagang Lianzhong Investment Co., Ltd.	6,986,554.29	The risk to recover is small, recoverable
Shanghai Jin Wen Properties Co., Ltd.	6,275,847.00	No sign of impairment
Qingdao Institute of Marine Geology-QIMG	6,000,000.00	The risk to recover is small, recoverable
Employee borrowing	5,465,469.17	Renting deposit of Deep well station, can be retracted
Pending (Jiangnan restruction General contract of Jiangnan restruction, employee compensation, etc.)	5,306,078.37	Waiting for approvement by the SASAC
Litigation fee for arenes	4,967,268.00	The risk to recover is small, recoverable
Export rebate	4,728,971.40	Tax refund, recoverable
Building 1-5 Jiulong flower gardon	4,546,186.00	The risk to recover is small, recoverable
Wuhu city intermediate people's court, Anhui	4,100,000.00	The risk to recover is small, recoverable
Shanghai Zhonghua Shipping Auxiliary Factory	3,762,774.79	The risk to recover is small, recoverable
Customs of Pudong, Shanghai	3,561,682.41	Deposit, expected to be retracted
Bid bond	3,534,541.45	No provision
State Grid Electric Power Company	3,306,676.48	The risk to recover is small, recoverable

Company name	Book balance	Reason for no provision
Guarantee to the customs	3,255,767.86	The risk to recover is small, recoverable
Wuzhou Customs	3,130,000.00	The risk to recover is small, recoverable
Shanghai Golden State Kongshun Leasing Co. Ltd.	3,000,000.00	Extremely small risk
Insurance indemnity	2,572,725.22	Insurance indemnity, recoverable
Shanghai Runcheng Construction Engineering Co., Ltd.	2,213,667.20	Deposit, expected to be retracted
Personal investment	2,200,000.00	Investment receivable
Building 1-5 of Xiangyang District	2,142,802.00	The risk to recover is small, recoverable
Zhangjiagang FTZ Shagang Metallurgical Furnace Charge Co., Ltd.	2,000,000.00	The risk to recover is small, recoverable

(3) Other receivables that are provided for bad debts by aging analysis

Aging	As at 31/12/2017			As at 1/1/2017		
	Balance	PCT%	Allowance for doubtful debts	Balance	PCT%	Allowance for doubtful debts
Within 1 year	270,139,456.01	61.03	101,948.29	652,360,988.53	82.71	33,318,283.45
1-2 years	44,221,239.49	9.99	12,446,134.14	14,678,087.68	1.86	3,370,933.89
2-3 years	6,672,080.32	1.51	5,418,142.82	10,676,350.32	1.35	3,680,679.97
More than 3 years	121,578,971.40	27.47	121,072,461.82	111,038,377.26	14.08	108,911,972.29
Total	442,611,747.22	—	139,038,687.07	788,753,803.79	—	149,281,869.60

(4) Other receivables whose doubtful debts is made by balance percentage method:

Category	As at 31/12/2017			As at 1/1/2017		
	Balance	PCT%	Allowance for doubtful debts	Balance	PCT%	Allowance for doubtful debts
Allowance for doubtful debts made by balance percentage method	130,018,563.05	0.50	642,274.26	70,950,916.89	0.50	354,754.58

8.8.3 Individually insignificant but allowance for doubtful debts individually

Company name	Balance	Allowance for doubtful debts	Aging	Allowance rate (%)	Allowance reason
<b>Total</b>	<b>8,727,352.36</b>	<b>8,727,352.36</b>			
Anqing Far East Trade Corporation	2,059,353.27	2,059,353.27	More than 4 years	100.00	Expected loss of reappraising the stocks and assets of enterprises
Yantai Jia Tai Ship Engineering Co., Ltd.	1,757,548.59	1,757,548.59	1-3 years	100.00	Unrecoverable
. Xinjiang marketing and service center of Zhangjiagang Shenghui Gas Chemical Equipment Co., Ltd	1,069,600.00	1,069,600.00	More than 5 years	100.00	Expectedly unrecoverable
Jiangyin Baina Materials Co. Ltd.	1,000,000.00	1,000,000.00	More than 5 years	100.00	Expectedly unrecoverable



#### 8.8.4 Recovery or reversal of allowance for doubtful debts during the year

Company name	Recovery or reversal amount	Accumulated amount of allowance for doubtful debts	Receipt method
Chen xiang	247,251.88	247,251.88	Already got back part of the amount during 2017

#### 8.8.5 Other receivables written-off during the year

Company name	Nature of other receivables	Written-off amount	Written-off reason	Written-off procedure	Whether generated by the related party transactions or not
<b>Total</b>		<b>5,917,219.87</b>			
Wuzhou Guizhong industry and Trade Service Company	Equipment	3,658,587.36	Unrecoverable	Approved by general manager's Office meeting	No
Guangzhou Nansha District Hengli Century Industrial Park	Deposit	500,000.00	Unrecoverable	Approved by the	No
Hangyi hi-tech company	Advance money	497,288.26	Aging more than 6 years, hard to recover	Approved by office meeting	No
Shanghai Zhang Fan Shipping Engineering Co., Ltd.	Advance money for service charge	358,601.20	Unrecoverable	Approved by general manager's Office meeting	No
Zhou shengping	Petty cash	209,814.77	Quitted	Approved by general manager's Office meeting	No
Guilin Guixiangji Cast Steel Co., Ltd.	Cargo	110,856.00	Bad debt	Approved by general manager's Office meeting	No

#### 8.8.6 Other receivables due from the top five debtors of the Company are as follows:

Debtor name	Nature of balance	Balance	Aging	Percentage in total other receivables (%)	Balance of allowance for doubtful debts
GLM	Cargo	270,000,000.00	Within 1 year	11.06	
China National Shipbuilding Equipment and Materials Co., Ltd	Escrow funds	120,118,893.59	Within 1 year	4.92	
Shanghai Yi Xiu Oil Inc. Co.	Current money	86,737,039.23	2-3 years	3.55	52,042,223.54
Wuxi Binhu City Investment Development Co., Ltd.	Compensation	50,720,460.65	Within 1 year	2.08	
Yangtze River Channel Bureau	bid bond	47,980,000.00	Within 1 year	1.97	239,900.00
<b>Total</b>	<b>—</b>	<b>575,556,393.47</b>	<b>—</b>	<b>23.58</b>	<b>52,282,123.54</b>

## 8.9 Purchases of resold assets

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Securities	81,000,000.00	
Bill		
Loan		
Others		
Subtract: Bad debt preparation		
<b>Total book value</b>	<b>81,000,000.00</b>	

## 8.10 Inventories

### 8.10.1 Categories of inventories

Item	As at 31/12/2017			As at 1/1/2017		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	5,382,318,550.08	249,332,163.74	5,132,986,386.34	6,199,438,032.47	307,060,472.53	5,892,377,559.94
Self-made semi-finished products and work-in-progress	6,269,059,050.57	348,754,253.73	5,920,304,796.84	8,038,637,909.91	1,398,755,390.64	6,639,882,519.27
Merchandise in stock ( finished products )	2,191,410,595.99	146,521,726.15	2,044,888,869.84	2,169,494,933.41	151,692,198.68	2,017,802,734.73
Turnover materials	57,437,936.84	347,911.58	57,090,025.26	64,135,703.91	347,911.58	63,787,792.33
Project construction ( Unsettled payment on the completed part )	26,731,962,237.64	2,065,225,895.68	24,666,736,341.96	30,930,357,669.21	1,738,170,413.48	29,192,187,255.73
Development cost of real estate enterprises	605,801,555.47		605,801,555.47	1,306,539,788.27		1,306,539,788.27
Land arrangement	566,983,694.50		566,983,694.50	422,743,996.13		422,743,996.13
Others	1,125,046,059.90	12,035,937.13	1,113,010,122.77	1,115,546,307.61	13,873,537.88	1,101,672,769.73
<b>Total</b>	<b>42,930,019,680.99</b>	<b>2,822,217,888.01</b>	<b>40,107,801,792.98</b>	<b>50,246,894,340.92</b>	<b>3,609,899,924.79</b>	<b>46,636,994,416.13</b>

Note: The capitalized borrowing interest in the ending balance of inventories is RMB 50,974,449.16, including borrowing interest capitalized in the current period of RMB 3,747,572.70.

### 8.10.2 Assets completed but not settled arising from construction contract

Item	Balance as at 31/12/2017
Accumulated cost incurred	64,606,752,657.62
Accumulated gross margin recognized	-574,923,515.66
Less: Estimated loss	2,065,225,895.68
Amount settled	37,299,866,904.32
Assets completed but not settled arising from construction contract	24,666,736,341.96

#### 8.11 Non-current assets due within one year

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Trust wealth management products due within one year	2,561,100,000.00	7,781,960,000.00
Lease financing project	910,854,873.17	1,275,707,770.37
Long-term receivables due within one year	621,971,704.24	539,588,089.77
Entrusted loans due within one year	167,525,801.12	300,000,000.00
Integrated building decoration		8,825,999.00
<b>Total</b>	<b>4,261,452,378.53</b>	<b>9,906,081,859.14</b>

#### 8.12 Other current assets

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Input tax to be deducted	5,376,500,962.63	5,096,885,970.87
Trust wealth management products	2,304,794,603.94	3,183,483,468.64
Reverse repurchase of national debt	466,900,000.00	1,349,502,938.28
Entrusted loans	304,490,250.24	13,500,000.00
Hedged items	225,257,255.23	692,777,924.71
Prepay taxes	82,851,258.80	111,824,554.66
Others	136,750,749.59	2,828,541.85
<b>Total</b>	<b>8,897,545,080.43</b>	<b>10,450,803,399.01</b>

#### 8.13 Granting loans and money advanced for sb. to be paid back later

8.13.1 Distribution of loans and money advanced according to individuals and companies are as following

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
loans and money advanced for companies	202,299,510.69	328,474,141.32
Including: Discount	148,299,510.69	242,474,141.32
Loans	54,000,000.00	86,000,000.00
<b>Total</b>	<b>202,299,510.69</b>	<b>328,474,141.32</b>
Less: Provision of losses of loans	5,057,487.77	8,211,853.53
Including: Provisions by portfolios	5,057,487.77	8,211,853.53
Book value	197,242,022.92	320,262,287.79

8.13.2 Distribution of loans and money advanced according to industries are as following

Item	Balance as at 31/12/2017	PCT (%)	Balance as at 1/1/2017	PCT (%)
Industry distribution				
Including: Marine equipment manufacturing	202,299,510.69	100.00	4,000,000.00	1.22
Other trade economies and agents			242,474,141.32	73.82
Metal ship manufacturing			82,000,000.00	24.96
Total	202,299,510.69	—	328,474,141.32	—
Less: Provision of losses of loans	5,057,487.77	2.50	8,211,853.53	2.50
Including: Provisions by portfolios	5,057,487.77	2.50	8,211,853.53	2.50
Book value	197,242,022.92	—	320,262,287.79	—

8.13.3 Distribution of loans and money advanced according to regions are as following

Item	Balance as at 31/12/2017	PCT (%)	Balance as at 1/1/2017	PCT (%)
Eastern China	202,299,510.69	100.00	328,474,141.32	100.00
Total	202,299,510.69	—	328,474,141.32	—
Less: Provision of losses of loans	5,057,487.77	2.50	8,11,853.53	2.50
Including: Provisions by portfolios	5,057,487.77	2.50	8,211,853.53	2.50
Book value	197,242,022.92	—	320,262,287.79	—

8.13.4 Distribution of loans and money advanced according to the way of guarantee are as following

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Credit loans	4,000,000.00	4,000,000.00
Guarantee loans	50,000,000.00	82,000,000.00
Collateral loans	148,299,510.69	242,474,141.32
Including: Pledge loans	148,299,510.69	242,474,141.32
Total	202,299,510.69	328,474,141.32
Less: Provision of losses of loans	5,057,487.77	8,211,853.53
Including: Provisions by portfolios	5,057,487.77	8,211,853.53
Book value	197,242,022.92	320,262,287.79

8.13.5 Provisions of loss of loans

Item	The current amount		Last term amount	
	Single item	Portfolio	Single item	Portfolio
Beginning balance		8,211,853.53		17,363,263.06
Accruals in this year		-3,154,365.76		-9,151,409.53
Transfer out in this year				
Ending balance		5,057,487.77		8,211,853.53

8.14 Available-for-sale financial assets

8.14.1 Available-for-sale financial assets

Item	Ending balance		Beginning balance	
	Book balance	Provision for diminution in value	Book value	Book balance
Available-for-sale debt instruments	2,577,317,434.67	4,118,231.00	2,573,199,203.67	1,618,914,400.14
Available-for-sale equity instruments	6,868,402,137.18	126,692,668.13	6,741,709,469.05	4,918,411,211.56
Including: measured at fair value	4,861,010,025.73	73,846,152.00	4,787,163,873.73	3,821,351,869.87
measured at cost	2,007,392,111.45	52,846,516.13	1,954,545,595.32	1,053,032,287.12
Trust wealth management products	3,759,000,000.00	528,480,000.00	3,230,520,000.00	3,089,923,068.49
Others	3,083,358,966.62		3,083,358,966.62	2,431,040,173.41
<b>Total</b>	<b>16,288,076,538.47</b>	<b>659,290,899.13</b>	<b>15,628,787,639.34</b>	<b>12,498,688,853.60</b>
				<b>484,427,054.57</b>
				<b>12,014,261,799.03</b>

8.14.2 Available-for-sale financial assets measured at fair value

Item	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Cost of equity instrument/ amortized cost of debt instrument	3,946,367,629.52	2,599,483,422.01	3,135,783,376.08	9,681,634,427.61
Fair value	4,861,010,025.73	2,577,317,434.67	3,083,358,966.62	10,521,686,427.02
Accumulated change of fair value in other comprehensive income	988,488,548.21	-18,047,756.34	-52,424,409.46	918,016,382.41
Impairment provision	73,846,152.00	4,118,231.00		77,964,383.00

8.15 Long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate (%)
	Book balance	Allowance for doubtful debts	Book value	Book balance	Allowance for doubtful debts	Book value	
Finance Leases	7,893,084,410.47	311,505,444.49	7,581,578,965.98	5,316,679,060.42	172,146,794.24	5,144,532,266.18	5.00-10.00
Including: Unrealized finance income	2,152,466,770.09	-	2,152,466,770.09	1,671,785,265.24	-	1,671,785,265.24	5.00-10.00
Sales of goods by installment	1,012,511,001.95	172,125,520.59	840,385,481.36	1,157,466,550.99	133,312,753.07	1,024,153,797.92	1.49-3.25
Services rendering by installments	2,827,205,957.57	2,439,800.00	2,824,766,157.57	2,502,075,577.32	4,212,900.00	2,497,862,677.32	4.75
Others	3,612,470,199.61	19,980,482.65	3,592,489,716.96	1,729,444,740.45	158,289,650.18	1,571,155,090.27	4.00-10.00
<b>Total</b>	<b>15,345,271,569.60</b>	<b>506,051,247.73</b>	<b>14,839,220,321.87</b>	<b>10,705,665,929.18</b>	<b>467,962,097.49</b>	<b>10,237,703,831.69</b>	

8.16 Long-term equity investments

8.16.1 Categories of long-term equity investments

Item	Beginning balance	Additions	Reductions	Ending balance
Subsidiaries	249,937,807.30			249,937,807.30
Joint venture	3,104,084,716.14	3,749,766,872.04	40,809,211.72	6,813,042,376.46
Associates	7,519,758,056.27	3,376,003,426.56	267,265,342.37	10,628,496,140.46
<b>Subtotal</b>	<b>10,873,780,579.71</b>	<b>7,125,770,298.60</b>	<b>308,074,554.09</b>	<b>17,691,476,324.22</b>
Less: provision for diminution in value of long-term equity investments	7,870,725.56			7,870,725.56
<b>Total</b>	<b>10,865,909,854.15</b>	<b>7,125,770,298.60</b>	<b>308,074,554.09</b>	<b>17,683,605,598.66</b>

8.16.2 Details of long-term equity investments

Investee	Cost of investment	Balance as at 1/1/2017	Movement during the financial year							Balance as at 31/12/2017	Provision for impairment as at 31/12/2017
			Addition of investment	Reduction of investment	Investment income/loss recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment		
<b>Subsidiaries</b>	<b>2,881,720,564.79</b>	<b>249,937,807.30</b>	-	-	-	-	-	-	-	<b>249,937,807.30</b>	-
Beijing CSSC Gas Engineering Co., Ltd	550,000.00	550,000.00								550,000.00	
CSSC Europe Co., Ltd	4,127,090.41	4,127,090.41								4,127,090.41	
Circulation right for equity separation of Steel Structure Engineering	214,134,492.77	130,503,363.76								130,503,363.76	
Circulation right for equity separation of China Shipbuilding	2,430,447,593.62	58,946,580.14								58,946,580.14	
Circulation right for equity separation of CSSC Marine Engineering	232,461,387.99	55,810,772.99								55,810,772.99	
<b>Joint venture</b>	<b>4,741,311,110.94</b>	<b>3,104,084,716.14</b>	<b>684,655,600.00</b>	-	<b>3,042,148,519.59</b>	-	<b>70,206.70</b>	<b>-10,400,000.00</b>	-	<b>6,813,042,376.46</b>	-
CSSC Real Estate Co., Ltd	1,286,540,629.34	1,783,963,056.56			-11,816,866.94					1,772,146,189.62	
Shanghai Rubbo Properties Co., Ltd	1,257,306,243.12	261,023,340.68			3,143,882,310.88					3,404,905,651.56	
Shanghai Ruming Properties Co., Ltd	1,272,833,638.48	787,732,835.65			-21,514,008.56					766,218,827.09	
Xuzhou CSSC											
Sunshine Investment Development Co., Ltd.	25,500,000.00	16,846,224.16			-19,731,153.39				2,884,929.23		
Shanghai TTS Huahai Ships Equipment Co., Ltd	5,500,000.00	49,180,830.19			15,730,405.73			-9,400,000.00	-10,401,595.20	45,109,640.72	
CSSC JIAI Cruise technology development(Shanghai) Co., Ltd.	4,000,000.00		4,000,000.00							4,000,000.00	
Anqing Dafa Diesel Engine Metallic Structure	7,000,000.00	10,838,726.08			301,181.43					11,139,907.51	

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			Addition of investment	Reduction of investment	Investment income/loss recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment		
Co., Ltd											
Zhenjiang CSSC Hitechi Shipbuilding Machinery Co. Ltd.	47,975,000.00	56,665,924.80			484,781.49		70,206.70	-1,000,000.00		56,220,912.99	
Liuzhou Xiliang Amusement Equipment Co., Ltd.	300,000.00	238,001.43			-10,894.54					227,106.89	
CSSC Wärtsilä Engine (Shanghai) Co., Ltd	137,700,000.00	121,233,764.81			-34,134,921.68					87,098,843.13	
Southern environment Corporation Limited	30,000,000.00		30,000,000.00		-1,654,450.09					28,345,549.91	
TTS-SCM Marine and Offshore Machinery Co., Ltd	16,000,000.00	16,362,011.78			1,010,452.44					17,372,464.22	
CSSC-fincantini cruise industry development co. LTD	650,655,600.00		650,655,600.00		-30,398,317.18					620,257,282.82	
<b>Associates</b>	<b>8,158,565,410.84</b>	<b>7,519,758,056.27</b>	<b>1,433,314,412.50</b>	<b>-20,426,327.00</b>	<b>840,563,455.85</b>	<b>226,446,649.26</b>	<b>402,406,499.66</b>	<b>-281,446,494.50</b>	<b>-</b>	<b>10,628,496,140.46</b>	<b>7,870,725.56</b>
Zhengmao Group Co., Ltd	73,684,846.06	92,534,448.31			3,077,789.92					95,612,238.23	
Qingdao Hui Hai marine drilling industry investment fund partnership (limited partnership)	426,625,312.50		426,625,312.50		-204,186.90					426,421,125.60	
Shanghai Hujiang Diesel Engine Emission Test Technology Co., Ltd	1,081,357.89	2,379,613.80			235,371.44			-1,298,385.74		1,316,599.50	
Shanghai Dongzhou Labor Service Co., Ltd	294,000.00	618,250.12			82,139.51			-131,248.80		569,140.83	
Jiangyin Huasheng Steel Pretreatment Co., Ltd	9,600,000.00	7,218,775.01								7,218,775.01	7,058,775.01
Jiangyin Huachang Steel Coating Co., Ltd	2,400,000.00	1,435,574.91								1,435,574.91	811,950.55
Jiangsu Shagang Rongui Iron and Steel Technology	20,000,000.00	23,006,167.97		-20,000,000.00	660,498.70			-3,666,666.67			



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			Addition of investment	Reduction of investment	Investment income/loss recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment		
Development Co., Ltd											
Zhangjiagang Jilun Steel Plate Pretreatment Co., Ltd	4,842,000.00	7,450,639.44			6,602.29			-2,491,302.56		-4,965,939.17	
Zhangjiagang Jiluhua Steel Processing Co., Ltd	7,200,000.00	8,403,205.93			2,593,425.96			-1,116,000.00		9,880,631.89	
Jiangsu Shagang Jilong Cold Rolling Processing Co., Ltd	15,000,000.00	17,567,793.09			654,734.77					18,222,527.86	
Nanjing Luzhou Craft Equipment Co., Ltd	500,000.00	601,741.14			47,378.22			-40,000.00		609,119.36	
Shanghai Kaiyue Construction Consulting Supervision Co., Ltd.	1,000,000.00	879,098.16			235,995.77			-176,000.00		1,213,081.16	
Shanghai Zhennan Engineering Consultants Supervision Co., Ltd.	900,000.00	2,352,343.11			651,133.88			-300,000.00		2,703,476.99	
SHANGHAI OHKAWARA DRYERS CO., LTD	1,109,227.48	5,724,297.23			1,851,044.58			-1,674,488.00		5,900,853.81	
Shanghai juxin investment development co. LTD	8,000,000.00	5,832,098.21			17,658,141.95			-16,000,000.00		7,490,240.16	
Nor Solan II, Ple Ltd	13,964,648.12	17,827,590.74			241,847.24					18,069,437.98	
Bank of Tianjin	2,022,006,660.01	2,014,271,140.11			206,007,494.59	236,866,710.09		-57,187,503.34		2,399,957,841.45	
Bank of Shanghai Inc. Co.	4,060,313,910.19	4,758,843,570.19			617,495,438.78	-10,600,906.83	402,322,272.00	-122,520,033.50		6,159,540,469.52	
CSSC perceiving ocean Industrial Fund Management Co., Ltd.	30,000,000.00		30,000,000.00		1,170,978.91					31,170,978.91	
CSSC perceiving oceanWuxi Industrial Fund (limited partnership)	540,000,000.00		540,000,000.00		-917,267.37					539,082,732.63	
EVERBRIGHT CSSC NEW ENERGY	7,500,000.00	7,500,000.00			287,030.99					7,787,030.99	

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			Addition of investment	Reduction of investment	Investment income/loss recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment		
INDUSTRIAL INVESTMENT FUNDS MANAGEMENT LIMITED											
Everbright CSSC New Energy Investment Fund (limited partnership)	430,000,000.00		430,000,000.00		44,912.78					430,044,912.78	
Shanghai Nanlin Storage and Transportation Co., Ltd	5,340,000.00	5,769,673.80			514,970.96			-500,000.00		5,784,644.76	
CSSC Oceanreering Co., Ltd	4,100,000.00		4,100,000.00		23,477.61					4,123,477.61	
Kunshan Ji Hai Industrial Co., Ltd	7,000,000.00	19,227,431.88			2,819,154.32					22,046,586.20	
Shanghai Donghua Education Investment Management Co., Ltd	4,575,273.99	6,884,674.25			1,431,632.45			-758,787.61		7,557,519.09	
Shanghai Huchuan New Business Development Co., Ltd	7,359,505.89	4,520,324.85			-4,604,552.51		84,227.66				
Shanghai Green Valley Hudong Hospital Management Co. Ltd.	11,421,209.95	2,774,896.56			-2,774,896.56						
Shanghai Huarun Dadong Ship Engineering Co. Ltd	369,408,267.19	340,694,311.00			1,023,244.49			-41,447,827.67		300,269,727.82	
Shanghai Qianshou Real Estate Co., Ltd.	5,000,000.00	3,342,583.18			-3,342,583.18						
Shanghai Jiangnan Ship Manufacturing Enterprise Development Co., Ltd.	2,589,100.00		2,589,100.00		-158,204.28			-100,000.00		2,330,895.72	
Shanghai Jiangnan Shipbuilding and Repairing Co., Ltd	2,473,500.00	8,527,635.08			-156,805.32			-123,000.00		8,247,829.76	
Warsila CME Zhenjiang Propeller Co., Ltd	52,953,110.00	128,453,574.36			-6,931,414.18	180,846.00		-29,250,000.00		92,453,006.18	
Beijing HNA Times Certification Center Co., Ltd.	1,200,000.00	1,200,000.00			3,701.33					1,203,701.33	

Investee	Cost of investment	Balance as at 1/1/2017	Movement during the financial year						Balance as at 31/12/2017	Provision for impairment as at 31/12/2017
			Addition of investment	Reduction of investment	Investment income/loss recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash dividend or profit announced to be issued		
Guangzhou Economic & Technological Development Zone South China Special Coating Industry	3,905,513.57	3,971,500.35			225,731.00			-568,042.10	3,629,189.25	
Jiangyin Huailin Corrosion Control Co., Ltd	3,217,968.00	19,945,103.49		-426,327.00	609,493.71			-2,097,208.51	16,602,773.17	
<b>Total</b>	<b>15,779,597,086.57</b>	<b>10,873,780,579.71</b>	<b>2,117,970,012.50</b>	<b>-20,426,327.00</b>	<b>3,882,711,975.44</b>	<b>226,446,649.26</b>	<b>402,476,706.36</b>	<b>-291,846,494.50</b>	<b>17,691,476,324.22</b>	<b>7,870,725.56</b>

### 8.1.6.3 Main financial information of significant joint ventures

Item	The current amount			Last term amount		
	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd
Current assets	8,593,283,183.36	1,684,264,539.75	5,990,639,684.91	12,546,653,576.97	1,603,643,154.48	6,745,740,246.41
Non-current assets	6,099,604,855.96	2,039,646,186.33	476,145,226.17	3,274,548,494.36	2,207,219,321.15	61,738,520.97
Total assets	14,692,888,039.32	3,723,910,726.08	6,466,784,911.08	15,821,202,071.33	3,810,862,475.63	6,807,478,767.38
Current liabilities	7,022,848,481.36	1,156,172,763.18	1,789,589,061.57	13,060,803,338.84	1,171,267,462.09	2,106,649,183.99
Non-current liabilities						
Total liabilities	7,022,848,481.36	1,156,172,763.18	1,789,589,061.57	13,060,803,338.84	1,171,267,462.09	2,106,649,183.99
Net assets	7,670,039,557.96	2,567,737,962.90	4,677,195,849.51	2,760,398,732.49	2,639,595,013.54	4,700,829,583.39
Portion of net assets calculated according to the shareholding percentage	3,835,019,783.98	1,283,868,980.95	2,338,597,924.76	1,380,199,366.25	1,319,797,506.77	2,350,414,791.70
Adjustment matters	-430,114,132.42	-517,650,153.86	-566,451,735.14	-1,119,176,025.57	-532,064,671.12	-566,451,735.14

Item	The current amount			Last term amount		
	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd
Book value of equity investments to joint ventures enterprises	3,404,905,651.56	766,218,827.09	1,772,146,189.62	261,023,340.68	787,732,835.65	1,783,963,056.56
Fair value of equity investments with public offering price						
Operating revenue	15,615,350,415.62	348,965,691.15	5,789,152.05	138,666,666.67	325,063,142.10	4,628,536,482.03
Financial expense	-57,008,655.55	-9,532,917.91	-33,144,110.61	-19,013,413.16	-9,837,878.69	-54,520,504.13
Income tax expense	1,638,758,758.15		-7,776,565.04	44,282,100.28		485,162,841.02
Net profit	4,909,640,835.47	-71,857,051.64	-23,635,733.88	126,364,334.45	-87,582,641.00	1,455,488,523.04
Other comprehensive income						
Total comprehensive income	4,909,640,835.47	-71,857,051.64	-23,635,733.88	126,364,334.45	-87,582,641.00	1,455,488,523.04
Dividend received from joint venture enterprises in this period						

#### 8.1.6.4 Main financial information of significant associate enterprises

Item	The current amount				Last term amount			
	Shanghai Huarun East Ship Engineering Co., Ltd	Wartsila CME Zhenjiang Propeller Co., Ltd	Zhengmao Group Co., Ltd	Bank of Shanghai Co., Ltd	Shanghai Huarun East Ship Engineering Co., Ltd	Wartsila CME Zhenjiang Propeller Co., Ltd	Zhengmao Group Co., Ltd	Bank of Shanghai Co., Ltd
Current assets	708,300,513.19	213,320,956.04	313,018,680.06		732,804,603.55	297,268,527.24	327,375,031.61	825,434,302,000.00
Non-current assets	3,192,117,836.67	137,302,963.41	34,843,889.29		3,002,455,269.51	155,711,540.07	43,812,073.77	930,018,018,000.00
Total assets	3,900,418,349.86	350,623,919.45	347,862,569.35		3,735,259,873.06	452,980,067.31	371,187,105.38	1,755,452,320,000.00
Current liabilities	2,154,746,305.75	145,172,794.61	125,552,614.25		1,636,621,699.14	157,646,376.14	129,757,472.43	1,635,799,402,000.00
Non-current liabilities	999,707,155.44		10,450,353.44		1,355,231,396.48	9,881,303.69	13,219,644.38	3,430,261,000.00
Total liabilities	3,154,453,461.19	145,172,794.61	136,002,967.69		2,991,853,095.62	167,527,679.83	142,977,116.81	1,639,229,663,000.00

Item	The current amount				Last term amount			
	Shanghai Huarun East Ship Engineering Co., Ltd	Wartsila CME Zhenjiang Propeller Co., Ltd	Zhengmao Group Co., Ltd	Bank of Shanghai Co., Ltd	Shanghai Huarun East Ship Engineering Co., Ltd	Wartsila CME Zhenjiang Propeller Co., Ltd	Zhengmao Group Co., Ltd	Bank of Shanghai Co., Ltd
Net assets	745,964,888.67	205,451,124.84	211,859,601.66		743,406,777.44	285,452,387.48	228,209,988.57	116,222,657,000.00
Portion of net assets calculated according to the shareholding percentage	298,385,955.47	92,453,006.18	95,612,238.23		297,362,710.98	128,453,574.36	102,991,167.84	4,741,884,405.60
Adjustment matters	1,883,772.35				43,331,600.02		-10,456,719.53	16,959,164.59
Book value of equity investments to associated enterprises	300,269,727.82	92,453,006.18	95,612,238.23		340,694,311.00	128,453,574.36	92,534,448.31	4,758,843,570.19
Fair value of equity investments with public offering price								
Operating revenue	972,777,035.31	219,782,191.11	198,107,823.71		1,043,199,738.34	452,060,958.19	241,933,306.45	34,728,763,000.00
Net profit	2,558,111.23	-14,963,844.72	-12,172,878.34		1,781,327.46	67,221,032.04	-9,180,833.89	14,329,107,000.00
Other comprehensive income								-1,397,034,000.00
Total comprehensive income	2,558,111.23	-14,963,844.72	-12,172,878.34		1,781,327.46	67,221,032.04	-9,180,833.89	12,932,073,000.00
Dividend received from associates in this period		29,250,000.00				36,000,000.00	500,000.00	

#### 8.16.5 Summary information of insignificant joint venture enterprises and associate enterprises

Item	The current amount	Last term amount
<b>Joint venture enterprises:</b>	—	—
Total book value of investments	869,771,708.19	123,432,607.38
Total amount calculated according to percentage of shareholding on each following item	-68,402,915.79	-1,807,794.69
Net profit	-114,330,183.00	-3,567,072.29
Other comprehensive income		
Total comprehensive income	-114,330,183.00	-3,567,072.29
<b>Associated enterprises:</b>	—	—
Total book value of investments	3,972,749,973.15	256,425,805.15
Total amount calculated according to percentage of shareholding on each following item	462,765,106.93	20,569,368.76
Net profit	4,147,465,449.67	635,677,031.38
Other comprehensive income	4,737,334,201.80	42,140,572.83
Total comprehensive income	8,884,799,651.47	677,817,604.21

#### 8.17 Investment property

##### 8.17.1 Investment property measured by cost

Item	Balance as at 1/1/2017	Additions	Reductions	Balance as at 31/12/2017
<b>Total original cost</b>	<b>1,827,926,001.68</b>	<b>229,285,083.74</b>	<b>45,747,134.13</b>	<b>2,011,463,951.29</b>
Including: Buildings	1,781,101,883.48	161,111,490.95	22,445,103.23	1,919,768,271.20
Land use rights	46,824,118.20	68,173,592.79	23,302,030.90	91,695,680.09
<b>Accumulated depreciation or amortization</b>	<b>880,771,251.50</b>	<b>97,641,584.32</b>	<b>11,896,523.82</b>	<b>966,516,312.00</b>
Including: Buildings	876,586,028.46	87,431,484.62	10,226,349.51	953,791,163.57
Land use rights	4,185,223.04	10,210,099.70	1,670,174.31	12,725,148.43
<b>Total net book value</b>	<b>947,154,750.18</b>	—	—	<b>1,044,947,639.29</b>
Including: Buildings	904,515,855.02	—	—	965,977,107.63
Land use rights	42,638,895.16	—	—	78,970,531.66

##### 8.17.2 Investment properties not completed property certificate

Item	Book value	The reason for incomplete property certificate
Land use right of Changxing base	28,466,890.00	In process
<b>Total</b>	<b>28,466,890.00</b>	—

Note: the Group transferred the land use right of the Changxin base for leasing to the investment real estate. Since CSSC has not reached agreement with the Shanghai municipal government on the settlement price of the land transfer cost, CSSC science and technology temporarily estimated land recorded value of 32,658,000yuan in

accordance with 140,000 yuan per mu and the actual occupation of land area.

## 8.18 Fixed assets

### 8.18.1 Movement of fixed assets

Item	Balance as at 1/1/2017	Additions	Reductions	Balance as at 31/12/2017
<b>Cost</b>	<b>79,581,817,060.24</b>	<b>6,229,860,417.12</b>	<b>4,296,109,027.72</b>	<b>81,515,568,449.64</b>
Including: Land	761,115,450.11		40,173,454.23	720,941,995.88
Buildings	41,575,625,096.47	1,128,794,316.63	441,771,421.20	42,262,647,991.90
Machinery & equipment	25,421,856,786.10	1,664,915,201.62	498,927,032.64	26,587,844,955.08
transportation vehicles	5,578,851,611.50	3,011,000,036.35	409,467,339.50	8,180,384,308.35
Electronic equipment	1,516,455,045.28	244,669,986.24	40,907,192.35	1,720,217,839.17
Office equipment	3,237,667,564.65	36,023,284.63	2,754,316,788.73	519,374,060.55
Hotel furniture	1,130,622.68	263,198.66	4,400.00	1,389,421.34
Others	1,489,114,883.45	144,194,392.99	110,541,399.07	1,522,767,877.37
<b>Accumulated depreciation</b>	<b>30,986,614,810.69</b>	<b>4,101,412,721.33</b>	<b>1,016,821,537.56</b>	<b>34,071,205,994.46</b>
Including: Land	—	—	—	—
Buildings	12,613,753,890.19	1,520,488,631.67	198,275,637.10	13,935,966,884.76
Machinery & equipment	14,007,725,790.18	1,827,867,068.13	437,982,398.05	15,397,610,460.26
transportation vehicles	2,149,156,840.50	386,486,155.96	129,841,466.90	2,405,801,529.56
Electronic equipment	844,480,635.60	232,012,860.26	46,313,439.83	1,030,180,056.03
Office equipment	441,376,315.46	33,746,091.89	117,394,204.12	357,728,203.23
Hotel furniture	642,253.01	246,176.18	19,332.50	869,096.69
Others	929,479,085.75	100,565,737.24	86,995,059.06	943,049,763.93
<b>Net book value</b>	<b>48,595,202,249.55</b>	<b>—</b>	<b>—</b>	<b>47,444,362,455.18</b>
Including: Land	761,115,450.11	—	—	720,941,995.88
Buildings	28,961,871,206.28	—	—	28,326,681,107.14
Machinery & equipment	11,414,130,995.92	—	—	11,190,234,494.82
transportation vehicles	3,429,694,771.00	—	—	5,774,582,778.79
Electronic equipment	671,974,409.68	—	—	690,037,783.14
Office equipment	2,796,291,249.19	—	—	161,645,857.32
Hotel furniture	488,369.67	—	—	520,324.65
Others	559,635,797.70	—	—	579,718,113.44
<b>provision for diminution in value</b>	<b>460,622,068.40</b>	<b>13,140,196.39</b>	<b>32,572,126.41</b>	<b>441,190,138.38</b>
Including: Land	—	—	—	—
Buildings	110,477,652.30	5,437,904.27	407,623.44	115,507,933.13

Item	Balance as at 1/1/2017	Additions	Reductions	Balance as at 31/12/2017
Machinery & equipment	45,235,458.69	7,425,490.03	3,258,781.83	49,402,166.89
Transportation vehicles	303,286,420.97	95,127.86	28,475,235.54	274,906,313.29
Electronic equipment	328,628.64	181,674.23	7,235.38	503,067.49
Office equipment				
Hotel furniture				
Others	1,293,907.80		423,250.22	870,657.58
<b>Carrying amount</b>	<b>48,134,580,181.15</b>	<b>—</b>	<b>—</b>	<b>47,003,172,316.80</b>
Including: Land	761,115,450.11	—	—	720,941,995.88
Buildings	28,851,393,553.98	—	—	28,211,173,174.01
Machinery & equipment	11,368,895,537.23	—	—	11,140,832,327.93
Transportation vehicles	3,126,408,350.03	—	—	5,499,676,465.50
Electronic equipment	671,645,781.04	—	—	689,534,715.65
Office equipment	2,796,291,249.19	—	—	161,645,857.32
Hotel furniture	488,369.67	—	—	520,324.65
Others	558,341,889.90	—	—	578,847,455.86

#### 8.18.2 Temporarily idle fixed assets

Item	Cost	Accumulated depreciation	provision for diminution in value	Carrying amount	Remark
Shelter	4,031,717.35	3,437,357.70		594,359.65	
Machinery & equipment	4,267,176.08	2,740,407.51	1,034,080.84	492,687.73	
Buildings	108,530,085.07	42,172,919.93		66,357,165.14	
<b>Total</b>	<b>116,828,978.50</b>	<b>48,350,685.14</b>	<b>1,034,080.84</b>	<b>67,444,212.52</b>	

#### 8.18.3 Fixed assets with incompleting property right certification

Item	Book value	Reason
<b>Total</b>	<b>2,005,295,257.38</b>	
Including: Buildings and structures	1,372,333,906.53	In procedure
Buildings	202,121,978.40	Final settlement of accounts not completed
workshop	99,329,889.81	In procedure
Pipe processing space	87,441,239.78	In procedure
Ship joint workshop	68,946,738.12	In procedure
Houses and buildings	59,443,040.89	Historical reasons
Hot-dip galvanizing plant	26,116,854.00	In procedure
Stainless steel processing field	15,176,627.73	In procedure



Item	Book value	Reason
<b>Total</b>	<b>2,005,295,257.38</b>	
and pipe separation distribution field		
Auxiliary building of production and life	13,917,673.40	In procedure
Painting workshop	13,634,646.17	No warrant for land occupied
The support building project of the yacht unit in the Dragon Cave factory	6,932,441.91	In procedure
Office Building	6,832,751.50	In procedure
1# air pressure station and 1# substation	5,213,665.95	In procedure
Construction of new platform auxiliary building in the east of boat in Dragon Cave factory	4,694,783.24	In procedure
Air pressure station	3,715,704.81	No warrant for land occupied
The third floor of the office building	2,817,910.52	In procedure
Paint, oil, and chemicals warehouse	2,599,379.11	In procedure
The first floor of the office building	2,431,237.00	In procedure
The second floor of the office building	2,431,237.00	In procedure
Simple painting room	1,675,418.36	No warrant for land occupied
Central distribution station	1,288,641.74	No warrant for land occupied

## 8.19 Construction in process

### 8.19.1 Details of construction in progress

Item	Balance as at 31/12/2017			Balance as at 1/1/2017		
	Book balance	provision for diminution in value	Book value	Book balance	provision for diminution in value	Book value
Hong Kong Leasing Transportation Tools	2,515,128,636.81	670,179,388.52	1,844,949,248.29	6,413,117,609.99	1,646,762,263.04	4,766,355,346.95
CSSC Changxing Shipbuilding base phase two engineering project	1,005,372,010.94		1,005,372,010.94	1,032,703,017.60		1,032,703,017.60
Phase two of Mitsui project (Mitsui)	177,807,034.56		177,807,034.56	154,054,875.77		154,054,875.77
Phase three of infrastructure engineering project investment (Waigaoqiao)	232,606,762.20		232,606,762.20	232,606,762.20		232,606,762.20
Raised investment project (Huangpu)	80,316,686.72		80,316,686.72	129,035,197.54		129,035,197.54

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Item	Balance as at 31/12/2017			Balance as at 1/1/2017		
	Book balance	provision for diminution in value	Book value	Book balance	provision for diminution in value	Book value
No. 2639 Zu, Chongzhi Road (Shanghai Ship Institute	151,346,600.00		151,346,600.00	151,346,600.00		151,346,600.00
Project of supporting technology transformation of ships	161,128,442.92		161,128,442.92	135,181,488.11		135,181,488.11
Design research and development center construction project	846,913,317.36		846,913,317.36	803,905,853.38		803,905,853.38
CSSC marine equipment electrical and mechanical industrial park phase two design research and development center construction project	305,966,376.10		305,966,376.10	282,850,561.74		282,850,561.74
high-end ship and Marine engineering products industrialization first phase of the project	239,372,648.01		239,372,648.01	238,322,578.04		238,322,578.04
Research and development platform	295,003,055.09		295,003,055.09	237,850,469.22		237,850,469.22
Other construction projects in progress	7,343,082,084.49	97,411,954.10	7,245,670,130.39	3,443,444,934.72	97,411,954.10	3,346,032,980.62
<b>Total</b>	<b>13,354,043,655.20</b>	<b>767,591,342.62</b>	<b>12,586,452,312.58</b>	<b>13,254,419,948.31</b>	<b>1,744,174,217.14</b>	<b>11,510,245,731.17</b>

8.19.2 Movement of significant construction in progress

Project name	Budget	Balance as at 1/1/2017	Additions	Amount transfer to fixed assets	Other reductions	As at 31/12/2017	Percentage of accumulated input over budget (%)	Construction progress	Accumulated capitalized interest	Including: current capitalized interest	Capitalization rate (%)	Sources of funds
CSSC Changxing Shipbuilding base phase two engineering project (Phase II) Project (Hudong)	8,066,900,000.00	1,032,703,017.60	-27,331,006.66			1,005,372,010.94	18.04	18.04	168,241,137.19			State funded+Self-funded+Loans
Design research and development center construction project (Jiu yuan )	1,154,720,000.00	803,905,853.38	43,007,463.98			846,913,317.36	81.33	81.33	24,990,904.54	2,218,567.66	4.75	Raised+ Self-funded
CSSC marine equipment electrical and mechanical industrial park phase two design research and development center construction project (Lv zhou)	624,170,000.00	282,850,561.74	23,325,728.89	209,914.53		305,966,376.10	50.00	50.00	901,117,287.83	678,918.54	1.08	National capital+Self-funded
high-end ship and Marine engineering products	359,800,000.00	238,322,578.04	1,050,069.97			239,372,648.01	66.82	66.82				State funded

Project name	Budget	Balance as at 1/1/2017	Additions	Amount transfer to fixed assets	Other reductions	As at 31/12/2017	Percentage of accumulated input over budget (%)	Construction progress	Accumulated capitalized interest	Including: current capitalized interest	Capitalization rate (%)	Sources of funds
industrialization first phase of the project (Company jiujiang)												
Research and development platform (Jiang nan)	614,900,000.00	237,850,469.22	118,610,611.02	61,458,025.15		295,003,055.09	59.00	60.00				State funded+self-funded
Phase three of infrastructure engineering project investment (Wagaoqiao)	1,052,050,000.00	232,606,762.20				232,606,762.20	22.00	22.11				Self-funded
Phase two of Mitsui project (Mitsui)	1,654,170,000.00	154,054,875.77	41,771,481.22	18,019,169.57	152.86	177,807,034.56	42.16	49.27	44,374,966.73			Self-funded+Loans
Project of supporting technology transformation of ships (Hudong)	996,620,000.00	135,181,488.11	42,368,322.34	16,421,367.53		161,128,442.92	93.25	99.00	97,048,376.37	3,153,313.13	4.61	Loans
Raised investment project (Huangpu)	653,000,000.00	129,035,197.54	57,536,579.74	106,255,090.56		80,316,686.72	64.16	64.16				Self-funded+Loans
Hong Kong Leasing Transportation Tools	2,520,000,000.00	6,413,117,609.99	1,536,255,932.08	0.00	5,434,244,905.26	2,515,128,636.81	99.81	99.81				Self-funded +Loans
<b>Total</b>	<b>17,696,330,000.00</b>	<b>9,659,628,413.59</b>	<b>1,836,595,182.58</b>	<b>202,363,567.34</b>	<b>5,434,245,058.12</b>	<b>5,859,614,970.71</b>	<b>—</b>	<b>—</b>	<b>1,235,772,672.66</b>	<b>6,050,799.33</b>	<b>—</b>	<b>—</b>

## 8.20 Disposal of fixed assets

Item	Balance as at 31/12/2017	Balance as at 1/1/2017	Reason of being transferred into disposal
Relocation loss of EXPO	11,818,175.44	11,818,175.44	No result of relocation compensation
Houses and buildings	39,321,781.37	7,779,033.41	Purchasing and selling of the land
Equipment scrapping	4,449,573.05	3,055,969.37	scrapping
Vehicles	91,316.11	106,103.61	scrapping
Others	15,363.39	124,795.09	scrapping
<b>Total</b>	<b>55,696,209.36</b>	<b>22,884,076.92</b>	

## 8.21 Intangible assets

Item	Balance as at 1/1/2017	Additions	Reductions	Balance as at 31/12/2017
<b>Cost</b>	<b>12,051,915,019.09</b>	<b>362,984,106.33</b>	<b>162,369,858.55</b>	<b>12,252,529,266.87</b>
Including: Software	820,150,367.69	73,447,476.30	26,369,397.42	867,228,446.57
Land use right	8,080,720,156.05	256,117,450.50	136,000,461.13	8,200,837,145.42
Patent right	443,314,839.65	27,616,085.34		470,930,924.99
Non-patented technology	2,092,052.59			2,092,052.59
Trademark rights	2,433,934.00	10,000.00		2,443,934.00
Copyright	19,177,395.17	5,793,094.19		24,970,489.36
Franchise rights	164,048,480.74			164,048,480.74
Lu Pu Bridge franchise	2,211,000,000.00			2,211,000,000.00
Coastline use right	149,528,311.80			149,528,311.80
Cofferdam filling	96,629,215.12			96,629,215.12
Others	62,820,266.28			62,820,266.28
<b>Accumulated depreciation</b>	<b>3,115,350,514.77</b>	<b>482,120,290.24</b>	<b>30,315,418.99</b>	<b>3,567,155,386.02</b>
Including: Software	622,058,336.72	44,397,348.99	4,371,305.85	662,084,379.86
Land use right	1,088,400,785.15	291,283,126.63	25,944,113.14	1,353,739,798.64
Patent right	84,575,982.08	41,046,459.86		125,622,441.94
Non-patented technology	1,342,877.15	26,370.71		1,369,247.86
Trademark rights	27,492.30	8,884.19		36,376.49
Copyright	1,086,979.63	4,090,112.07		5,177,091.70
Franchise rights	35,230,977.82	4,402,797.03		39,633,774.85
Lu Pu Bridge franchise	1,216,050,000.00	88,440,000.00		1,304,490,000.00
Coastline use right	27,464,383.80	3,051,598.20		30,515,982.00
Cofferdam filling	10,311,962.67	1,932,584.40		12,244,547.07

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Item	Balance as at 1/1/2017	Additions	Reductions	Balance as at 31/12/2017
Others	28,800,737.45	3,441,008.16		32,241,745.61
<b>Carrying amount</b>	<b>8,936,564,504.32</b>	<b>—</b>	<b>—</b>	<b>8,685,373,880.85</b>
Including: Software	198,092,030.97	—	—	205,144,066.71
Land use right	6,992,319,370.90	—	—	6,847,097,346.78
Patent right	358,738,857.57	—	—	345,308,483.05
Non-patented technology	749,175.44	—	—	722,804.73
Trademark rights	2,406,441.70	—	—	2,407,557.51
Copyright	18,090,415.54	—	—	19,793,397.66
Franchise rights	128,817,502.92	—	—	124,414,705.89
Lu Pu Bridge franchise	994,950,000.00	—	—	906,510,000.00
Coastline use right	122,063,928.00	—	—	119,012,329.80
Cofferdam filling	86,317,252.45	—	—	84,384,668.05
Others	34,019,528.83	—	—	30,578,520.67

Land use right with incompleted property right certification

Name of entity	Classification of assets	Book value	Reason for incompletion
Shanghai Jiangnan Shipyard Co., Ltd	Land	128,405,653.06	Still in process

8.22 Development expenditures

Project	Balance as at 1/1/2017	Additions		Recognized as intangible assets	Reductions		Balance as at 31/12/2017
		Internally development expenditures	Others		Transferred to profit or loss	Others	
High-power Marine medium speed gas engine design key technology	53,605,394.24	12,509,435.12			14,816,794.10		51,298,035.26
Dual fuel engine engineering at a moderate speed	13,363,059.04	12,704,407.02			12,704,407.02		13,363,059.04
Large liquefied natural gas ship block processing and manufacturing digital workshop	5,555,555.60	39,607.96					5,595,163.56
Intelligent shipyard top-level architecture and application research of production logistics link	5,346,358.02	938,723.26			899,632.49		5,385,448.79
SP2/10793	52,273,492.47	28,335,676.03				930,311.17	79,678,857.33
SP2/11066	31,833,650.57					566,543.37	31,267,107.20
SP2/11094	23,088,664.67	7,357,436.09				410,908.89	30,035,191.87
SP2/11067	14,256,605.34	16,074,542.44				253,724.76	30,077,423.02
SP2/11130	13,398,840.05					238,459.11	13,160,380.94
SP2/16376	10,493,283.60	4,538,260.77				186,748.91	14,844,795.46
SP2/16315	10,371,174.42	3,579,935.38				184,575.76	13,766,534.04

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Project	Balance as at 1/1/2017	Additions		Reductions			Balance as at 31/12/2017
		Internally development expenditures	Others	Recognized as intangible assets	Transferred to profit or loss	Others	
SP2/16103	10,290,293.05					183,136.31	10,107,156.74
SP2/16317	9,545,159.03					169,875.16	9,375,283.87
SP2/16350	8,073,419.32	3,304,134.10				143,682.62	11,233,870.80
SP2/16361	7,837,987.33				566,045.05	139,492.63	7,132,449.65
SP2/10795	6,481,598.33					115,352.98	6,366,245.35
SP2/16346	6,069,979.50	1,719,979.82				108,027.40	7,681,931.92
SP2/11034	6,013,812.31	7,176,735.19				107,027.80	13,083,519.70
SP2/16387	5,320,348.00	97,592.03			878,432.20	94,686.22	4,444,821.61
SP2/16352	3,324,456.02					59,165.33	3,265,290.69
SP2/16324	3,260,923.50					58,034.64	3,202,888.86
SP2/11046	2,409,935.91					42,889.62	2,367,046.29
SP2/16359	2,077,654.40	5,166,744.72				36,976.01	7,207,423.11
Others	18,236,138.66	3,130,085,055.60	34,154,616.27	10,271,892.99	3,125,353,900.74	17,575,204.23	29,274,812.57
<b>Total</b>	<b>322,527,783.38</b>	<b>3,233,628,265.53</b>	<b>34,154,616.27</b>	<b>10,271,892.99</b>	<b>3,155,219,211.60</b>	<b>21,604,822.92</b>	<b>403,214,737.67</b>



## 8.23 Goodwill

Name of invested entity or matters forming the goodwill	Balance as at 1/1/2017	Additions	Reductions	Balance as at 31/12/2017
Guang zhou wen chong dockyard Co.,Ltd	144,231,195.67			144,231,195.67
Shanghai Zhong Rui General Aviation Co., Ltd	833,477.63			833,477.63
<b>Total</b>	<b>145,064,673.30</b>			<b>145,064,673.30</b>

Goodwill impairment test method: Guangzhou CSSC Wenchong shipyard Co., Ltd. (Primitive name was Chengxi (Guangzhou) shipyard co., ltd., hereinafter referred to as Guangzhou shipyard) is the cooperative enterprise of China CSSC Holdings Limited (Hereinafter referred to as CSSC). CSSC took the control rights through increasing investment on 30 June 2012, and recognised the goodwill of RMB 161,301,195.67. Provision RMB 17,070,000.00 for impairment was accrued during 2014. Based on the assessment report (Hu dong zhou zi ping bao zi (2016) No.0934201) issued by Shanghai dongzhou asset appraisal Co., Ltd which evaluated 100% share equity of Guangzhou shipyard by the end of 31 May 2016. The value of the equity of Guangzhou shipyard was RMB 805,479,312.81, increased RMB 383,660,036.86. The group made judgment that there is no major change in business environment and no impairment evidence in 2017.

Based on 《The reply about the agreement which Sitc navigation merger and acquisition of zhong rui tong hang through capital increased》 (Chuan dian ke zi 【2014】 No.77), Third level entity Sitc navigation technology Co., Ltd acquired 51% stake of shanghai Zhong Rui general aviation company (Hereinafter referred to as Zhong Rui General) by increasing investment of RMB 13,000,000.00. Bank Credit Assets Appraisal Co., Ltd issued assessment report (Yin xin ping bao zi [2014] hu No.0048) on Mar. 28 2013 taken 31 December 2013 as the appraisal base date. Based on the method of assessment report, the amount of capital of Zhong Rui General increased during 2014 was RMB 742,001.84. Book value of net assets of Zhong Rui General at the end of 2014 was RMB 23,855,926.23. RMB 833,477.63 as goodwill was recognized. The group made judgment that there was no significant change in the business environment, and there is no impairment of goodwill in 2017.

## 8.24 Long-term deferred expenses

Item	Balance as at 1/1/2017	Additions	Amortization	Reductions	Balance as at 31/12/2017	Other reasons for reduction
Sea route dredging up engineering project	44,678,428.22		1,053,034.54		43,625,393.68	
Longxue engineering and tooling	30,769,323.29		6,187,283.39		24,582,039.90	
Shipbreaking barge platform	25,056,871.92		2,088,072.72		22,968,799.20	
Lease expenditures on fixed assets	40,029,006.58	28,011,319.84	6,352,089.47		61,688,236.95	
Import fee for patent		16,600,543.44	1,106,702.90		15,493,840.54	
Renovation of fixed assets rented in	6,639,316.05	6,371,605.34	7,200,479.83		5,810,441.56	

Item	Balance as at 1/1/2017	Additions	Amortization	Reductions	Balance as at 31/12/2017	Other reasons for reduction
Site reconstruction of shipbreaking	7,658,577.85		651,793.80		7,006,784.05	
High and new projects	3,718,820.00		3,718,820.00			
Scaffolding amortization	4,778,713.13		1,246,620.72		3,532,092.41	
Plant improvement expenditure	5,099,548.86		1,073,589.27		4,025,959.59	
Renovation of practice workshop for technical school	4,911,854.09		147,964.58		4,763,889.51	
1025 design fee imported technology	4,253,039.47				4,253,039.47	
Road	4,386,933.45	266,868.00	1,200,306.58	1,326,510.54	2,126,984.33	Investment to subsidiary
Education building decoration at Kanghua Road	2,563,239.20		512,647.84		2,050,591.36	
Student dormitory renovation	2,256,633.86		72,669.12		2,183,964.74	
Others	18,198,157.26	7,330,075.19	8,418,196.89	399,870.90	16,710,164.66	Investment to subsidiary
<b>Total</b>	<b>204,998,463.23</b>	<b>58,580,411.81</b>	<b>41,030,271.65</b>	<b>1,726,381.44</b>	<b>220,822,221.95</b>	—

## 8.25 Deferred tax assets and deferred tax liabilities

### 8.25.1 Deferred tax assets and deferred tax liabilities before offsetting

Item	Balance as at 31/12/2017		Balance as at 1/1/2017	
	Deferred tax assets or liabilities	Deductable or taxable temporary differences	Deferred tax assets or liabilities	Deductable or taxable temporary differences
<b>Deferred tax assets:</b>				
Provisions for impairment of assets	941,213,943.38	5,242,963,462.70	919,636,620.53	4,991,294,317.11
Start-up costs	691,705.42	2,766,821.71	2,206,317.74	8,825,270.96
Deductible tax losses	475,013,884.76	2,378,178,959.34	504,299,809.30	2,476,989,262.07
Unrealized internal profit	341,738,226.09	1,613,671,363.01	659,960,017.88	166,265,478.33
Changes in fair value of available for sale financial assets	134,300,644.11	537,246,865.71	30,408,952.75	121,635,810.99
Estimated liabilities	243,231,116.41	1,559,701,078.86	272,687,532.84	1,652,276,279.25
Long term employee benefits payable	54,536,986.95	253,191,982.56	57,370,211.19	268,447,326.39
Accrued unfinished project	91,177,889.36	607,852,595.74	123,198,105.76	820,167,044.55
Investment real estate depreciation expense	28,640,315.76	114,561,263.04	28,640,315.76	114,561,263.04

Item	Balance as at 31/12/2017		Balance as at 1/1/2017	
	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences
Employee benefits payable	40,080,782.03	242,969,017.76	41,477,393.75	245,508,464.11
Deferred income	23,214,860.73	151,536,109.08	25,785,184.36	171,901,229.10
Percentage taken	10,906,182.03	72,707,880.24	10,259,405.05	68,396,033.65
Fair value change in tradable financial assets	1,585,444.01	6,341,776.05	4,785,750.00	31,905,000.00
Asset appraisal value	1,250,356.41	8,182,249.02	1,612,847.81	9,749,566.62
Others	30,448,829.89	170,344,967.11	24,811,242.06	135,697,839.45
<b>Total</b>	<b>2,418,031,167.34</b>	<b>12,962,216,391.93</b>	<b>2,707,139,706.78</b>	<b>11,283,620,185.62</b>
<b>Deferred tax liabilities</b>				
Valuation of tradable financial instruments and derivative financial instruments	9,937,982.88	65,432,445.71	13,500.00	54,000.00
Fair value change of available-for-sale financial assets recorded in other comprehensive income	303,276,872.96	1,341,524,278.09	200,091,101.11	952,287,010.69
Value increased due to appraisal	52,582,140.30	513,069,090.24	52,840,020.63	517,135,620.82
Tax saving from condolidation	29,261,681.83	117,046,727.32	29,261,681.83	117,046,727.32
Income tax unpaid last term			14,269,071.13	57,076,284.51
Others	5,039,305.58	2,604,441.21	6,393,666.37	9,480,994.65
<b>Total</b>	<b>400,097,983.55</b>	<b>2,039,676,982.57</b>	<b>302,869,041.07</b>	<b>1,653,080,637.99</b>

#### 8.25.2 The items of not recognized deferred tax assets

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Deductible temporary differences	6,624,614,274.13	4,351,566,531.36
Deductible tax losses	17,359,188,400.49	16,417,889,896.10
<b>Total</b>	<b>23,983,802,674.62</b>	<b>20,769,456,427.46</b>

#### 8.25.3 Expiry years of deductible losses not yet recognized deferred tax assets are as follows:

Year	Balance as at 31/12/2017	Balance as at 1/1/2017	Remark
2017		2,155,923,066.26	
2018	2,529,747,690.46	2,480,789,782.26	
2019	3,858,739,844.87	3,890,066,548.63	
2020	3,873,737,370.06	3,924,501,144.08	
2021	3,544,395,482.78	3,966,609,354.87	
2022	3,552,568,012.32		
<b>Total</b>	<b>17,359,188,400.49</b>	<b>16,417,889,896.10</b>	

#### 8.26 Other non-current assets

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Marine engineering production	3,477,699,736.01	
Long term entrusted loans	597,115,070.77	200,000,000.00
Relocation expenditure	199,020,072.23	
Relocating money for housing	164,914,042.00	
Land use expense	103,509,920.64	
Prepaid for equipment	97,621,760.07	
Entrust financial management, trust funds	80,000,000.00	
Net assets to be written off	77,082,179.30	77,082,179.30
Chongming Island relocation project (Note 2)	15,130,000.00	15,130,000.00
Dock transfer of East China Sea Shipyard Factory	12,090,430.22	12,090,430.22
Escrow assets	6,922,821.47	
State-owned fixed assets for disposal	4,463,487.98	4,463,487.98
Others	75,735,408.29	72,436,699.92
<b>Total</b>	<b>4,911,304,928.98</b>	<b>381,202,797.42</b>

#### 8.27 Short-term loans

Borrowing condition	Balance as at 31/12/2017	Balance as at 1/1/2017
Pledge loans	1,136,680,475.00	99,990,000.00
Secured loans	126,088,589.65	121,689,713.83
Guarantee loans	613,325,750.00	4,807,250,000.00
Loans on credit	5,190,133,532.61	2,972,374,280.57
<b>Total</b>	<b>7,066,228,347.26</b>	<b>8,001,303,994.40</b>

#### 8.28 Deposits from banks and other financial institutions

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Demand deposits	97,069,524.36	486,062,655.26
Fixed deposits (Including notice deposits)	621,951,900.00	221,091,000.00
Other deposits( Including remittances outstanding, remittances under custody, etc)		936,495.00
<b>Total</b>	<b>719,021,424.36</b>	<b>708,090,150.26</b>

#### 8.29 Financial liabilities measured at fair value through profit or loss

Category	Balance as at 31/12/2017	Balance as at 1/1/2017
Financial liabilities held-for-trading		
Including: Bonds held-for-trading issued		

Category	Balance as at 31/12/2017	Balance as at 1/1/2017
Designated financial liabilities measured at fair value and changes through profit or loss	3,366,294.31	95,035,097.83
Others		
<b>Total</b>	<b>3,366,294.31</b>	<b>95,035,097.83</b>

Note: the financial assets of the group that are measured at fair value and whose changes are included in the profits and losses of the year are all forward exchange contracts. On the day of measurement, one of 3 unadjusted open quotations obtained is chosen as the input value according to the principle of prudence, and the benchmark lending rate of the people's Bank of the corresponding period is as the discount rate. The fair value is determined according to the following formula:

If it is a forward settlement of foreign exchange contract, the highest quotation is chosen as the input value. Fair value = delivery amount \* (contract exchange rate - quoted exchange rate) ÷ number of years of discount rate

If it is a forward purchase of foreign exchange contracts, the lowest quoted rate is chosen as the input value. Fair value = delivery amount \* (contract exchange rate - quoted exchange rate) ÷ number of years of discount rate

If the calculated fair value is positive, the value is reported in the term "financial asset that is measured at the fair value and its changes are included in the profit and loss of the year"; if the calculated fair value is negative, the value is reported in the term "the financial liabilities measured at the fair value and its change into the profit and loss of the year."

### 8.30 Notes payable

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Commercial acceptance notes	3,105,235,087.90	1,400,003,185.76
Bank acceptance notes	4,850,736,315.23	6,327,003,796.76
<b>Total</b>	<b>7,955,971,403.13</b>	<b>7,727,006,982.52</b>

### 8.31 Accounts payable

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Within 1 year (Including 1 year)	28,513,510,709.61	27,780,209,040.94
1-2 years (Including 2 years)	4,376,112,159.60	3,189,816,073.35
2-3 years (Including 3 years)	1,572,624,156.06	2,273,451,961.68
Over 3 years	1,479,702,982.91	1,524,372,753.07
<b>Total</b>	<b>35,941,950,008.18</b>	<b>34,767,849,829.04</b>

Significant accounts payable with aging over 1 year:

Creditor	Balance as at 31/12/2017	Unpaid reason
XXX research institute of CSIC	297,680,849.00	Equipment warranty and provisional estimate
China Jiangsu International Economic And Technical Cooperation Group,Ltd	291,384,740.08	Not the time for settlement
Beijing institute of mechanical equipment	199,800,000.00	Money for device node, not squared up
XXX research institute of CSIC	162,700,000.00	Money for device node, not

Creditor	Balance as at 31/12/2017	Unpaid reason
		squared up
XXX research institute of CETC	137,630,000.00	Money for device node, not squared up
<b>Total</b>	<b>1,089,195,589.08</b>	

### 8.32 Advances from customers

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Within 1 year(including 1 year)	7,171,619,422.63	6,924,910,287.06
More than 1 year	7,670,232,184.16	3,418,176,496.71
<b>Total</b>	<b>14,841,851,606.79</b>	<b>10,343,086,783.77</b>

#### Significant advances from customers with aging over 1 year

Creditor	Balance as at 31/12/2017	Unsettled reason
Client A	890,382,692.30	Not finished
Venezuela**	356,601,124.45	Being executed
POET SHIPBUILDING & ENGINEERING PTE	347,549,799.00	Not finished
Client B	283,020,800.00	Not finished
River mechanical and electrical technology co., ltd.	232,906,824.58	Not finished
China National Precision Machinery I/E CORP.	193,154,900.65	Being executed
Algeria**2	143,528,188.46	Being executed
<b>Total</b>	<b>2,447,144,329.44</b>	

### 8.33 Employee benefits payable

#### 8.33.1 Movement of employee benefits payable

Item	Beginning balance	Increase	Decrease	Ending balance
Short-term employee benefits	982,351,107.78	10,136,743,165.16	10,205,213,621.59	913,880,651.35
Post-employment benefits—defined contribution plans	61,203,096.83	1,234,149,162.02	1,242,600,897.88	52,751,360.97
Termination benefits	94,099,827.11	108,596,093.98	120,598,963.20	82,096,957.89
Other benefits due within one year				
Other	12,975,301.92	8,502,805.77	8,551,155.42	12,926,952.27
<b>Total</b>	<b>1,150,629,333.64</b>	<b>11,487,991,226.93</b>	<b>11,576,964,638.09</b>	<b>1,061,655,922.48</b>

#### 8.33.2 Details of the short-term employee benefits

Item	Balance as at 1/1/2017	Accrued	Paid	Balance as at 31/12/2017
Salaries, bonus, and allowances	500,992,511.14	7,389,156,599.64	7,457,836,731.50	432,312,379.28
Staff welfare	5,580,671.97	466,937,139.38	467,176,985.69	5,340,825.66

Item	Balance as at 1/1/2017	Accrued	Paid	Balance as at 31/12/2017
Social insurances	28,882,858.87	624,460,234.84	630,137,445.47	23,205,648.24
Including: Medical insurance	19,522,320.38	534,232,968.05	539,437,629.31	14,317,659.12
Work injury insurance	1,470,385.89	34,129,936.61	34,343,777.66	1,256,544.84
Maternity insurance	2,361,198.14	51,599,209.52	51,859,141.35	2,101,266.31
Other	5,528,954.46	4,498,120.66	4,496,897.15	5,530,177.97
Housing Fund	2,958,459.03	699,226,318.24	700,310,783.26	1,873,994.01
Union funds and employee education fee	248,918,247.73	209,045,948.21	218,195,017.80	239,769,178.14
Other short term benefits	195,018,359.04	747,916,924.85	731,556,657.87	211,378,626.02
<b>Total</b>	<b>982,351,107.78</b>	<b>10,136,743,165.16</b>	<b>10,205,213,621.59</b>	<b>913,880,651.35</b>

### 8.33.3 Defined contribution plans

Item	Balance as at 1/1/2017	Accrued	Paid	Balance as at 31/12/2017
Primary endowment insurance	54,399,592.85	1,073,287,244.80	1,079,740,971.87	47,945,865.78
Unemployment insurance	5,155,708.83	31,607,923.80	32,646,846.36	4,116,786.27
Pension insurance	1,647,795.15	129,253,993.42	130,213,079.65	688,708.92
<b>Total</b>	<b>61,203,096.83</b>	<b>1,234,149,162.02</b>	<b>1,242,600,897.88</b>	<b>52,751,360.97</b>

### 8.34 Taxes and surcharges payable

Category	Balance as at 1/1/2017	The current payable	The current paid	Balance as at 31/12/2017
Value added tax	368,684,324.62	1,023,721,807.94	1,117,234,309.04	275,171,823.52
Consumption tax	-17,793.01	301,608.92	283,815.91	
Resource tax				
Enterprise income tax	457,140,889.51	724,678,559.45	809,822,111.03	371,997,337.93
Urban maintenance and construction tax	31,433,464.16	62,097,210.86	77,108,501.46	16,422,173.56
Estate tax	53,357,892.72	137,622,497.05	150,988,991.22	39,991,398.55
Land use tax	15,413,689.60	78,771,082.33	66,242,815.36	27,941,956.57
Individual income tax	145,157,460.73	503,663,791.54	480,852,402.65	167,968,849.62
Educational surtax	25,798,989.29	56,824,033.46	66,214,649.07	16,408,373.68
Other taxes and surcharges	84,418,187.78	125,185,487.73	136,489,571.41	73,114,104.10
<b>Total</b>	<b>1,181,387,105.40</b>	<b>2,712,866,079.28</b>	<b>2,905,237,167.15</b>	<b>989,016,017.53</b>

### 8.35 Interest payable

Category	Balance as at 31/12/2017	Balance as at 1/1/2017
Interest paid periodically on corporate bonds	169,862,565.86	110,665,580.60
Interest on corporate bonds	412,731,902.58	463,700,235.92
Interest payable for short-term loan	15,836,399.18	19,967,089.08
Other interest	13,429,378.18	100,996,439.34
<b>Total</b>	<b>611,860,245.80</b>	<b>695,329,344.94</b>

### 8.36 Dividends payable

Company name	Balance as at 31/12/2017	Balance as at 1/1/2017	Unpaid reason for over 1 year
Dividends for common shares	383,540.92	2,918,248.70	
China State Shipbuilding Corporation	123,497,577.34	123,497,577.34	Problem left over by history
Dividends for minority shareholders	7,253,106.42	7,991,931.46	
<b>Total</b>	<b>131,134,224.68</b>	<b>134,407,757.50</b>	

### 8.37 Other payables

#### 8.37.1 Classification of other payables by nature

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Temporary receipts payable	1,374,290,461.75	1,263,631,325.20
Deposit	549,556,056.69	1,004,874,283.25
Loans from shareholders	437,084,190.28	352,566,249.70
Floating warehouse investment funds	376,816,522.00	418,377,548.00
Share transfer payment	370,110,023.60	
Payment for unfinished engineering projects	220,482,387.89	104,105,165.67
Land use fee of Changxing construction	172,071,229.86	172,071,229.86
Provisional infrastructure construction projects payment	125,609,310.92	110,020,991.43
Patent royalties	112,420,615.44	240,315,778.68
Profits payable to the national treasury	59,789,762.68	59,789,762.68
Year-end bonus of sub-contractors	42,130,000.00	22,300,000.00
Maintenance fund	40,024,359.38	40,221,281.94
Deposit	34,836,054.74	70,080,333.92
Temporary land loans returned by the government	29,100,000.00	29,100,000.00
Other prize of science and technology, etc	24,524,189.00	44,546,759.79
Living expenses of personnel delegated	20,948,452.00	85,224,652.82
Historical provisional collection (CSSG General Corporation)	11,723,026.10	75,449,717.60
Financial compensation of the shunt of main and auxiliary industries	7,317,809.02	7,317,809.02
Subsidy funds for the zombie enterprise disposed by central enterprises		28,300,000.00
<b>Total</b>	<b>4,008,834,451.35</b>	<b>4,128,292,889.56</b>



8.37.2 Significant other payables aging over 1 year:

Company name	Balance as at 31/12/2017	Outstanding reason
Shanghai junan industrial limited company	186,180,000.00	Loans from shareholders
CSSC	153,929,167.30	Problems left over by history, not settled
National treasury profits payable	59,789,762.68	Arrears left over by history
Finance bureau of Anqing economic and technological development zone	29,100,000.00	Return of the government land, recognized as temporarily conditional loan
Salvage Bureau of the Ministry of Communications	20,104,702.62	Advance money for others
<b>Total</b>	<b>449,103,632.60</b>	—

8.38 Non-current liabilities due within one year

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Long-term loans due within one year	14,018,856,364.68	19,285,322,918.36
Including: Pledged loans	20,000,000.00	
Mortgage loans		
Guaranteed loans	5,676,556,364.68	9,920,862,918.36
Credit loans	8,322,300,000.00	9,364,460,000.00
Long-term bonds due within one year	3,980,819,275.68	
Long-term payables due within one year	22,138,869.79	413,003,629.58
<b>Total</b>	<b>18,021,814,510.15</b>	<b>19,698,326,547.94</b>

8.39 Other current liabilities

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Engineering settlement	34,196,630,678.83	32,686,112,675.36
Hedged items	125,257,255.23	739,315,590.71
Amount of output tax distribution	89,091,447.68	56,888,608.19
Commercial acceptance endorsed but not matured	79,659,400.00	-
Public maintenance fund for housing reform	51,715,386.83	52,869,617.49
Deferred income	9,222,916.77	8,465,604.48
Accrued expense	10,760,731.58	15,580,970.25
Disposal of guangchai equity funds	-	57,893,291.77
Short-term bonds payable	-	7,000,000,000.00
<b>Total</b>	<b>34,562,337,816.92</b>	<b>40,617,126,358.25</b>

#### 8.40 Long-term loans

Borrowing condition	Balance as at 31/12/2017	Balance as at 1/1/2017	Range of interest rate (%)
Pledge loans	629,000,000.00	769,000,000.00	4.04~4.28
Secured loans	153,035,121.42	143,933,583.12	5.25~6.55
Guarantee loans	21,567,376,391.82	16,039,718,041.01	1.08~7.83
Loans on credit	13,945,565,431.15	18,236,694,325.58	1.00~5.42
<b>Total</b>	<b>36,294,976,944.39</b>	<b>35,189,345,949.71</b>	

#### 8.41 Bonds payable

##### 8.41.1 The situation of the short-term bonds payable

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
2012 1 <sup>st</sup> phase MTN	5,965,141,500.00	5,957,344,893.44
2012 2 <sup>nd</sup> phase MTN	5,985,483,095.30	5,979,979,223.86
2012 3 <sup>th</sup> phase MTN	4,470,027,500.00	4,463,717,500.00
2016 1 <sup>st</sup> phase Corporate bonds (Category 1)	1,500,000,000.00	1,500,000,000.00
2016 1 <sup>st</sup> phase Corporate bonds (Category 2)	5,500,000,000.00	5,500,000,000.00
2017 1 <sup>st</sup> phase Corporate bonds (Category 1)	1,100,000,000.00	
2017 1 <sup>st</sup> phase Corporate bonds (Category 2)	900,000,000.00	
Corporate bonds		3,687,507,742.03
<b>Total</b>	<b>25,420,652,095.30</b>	<b>27,088,549,359.33</b>

8.41.2 Movement of bonds payable

Name of bonds	Par value	Date of issue	Bond period	Issue amount	Balance as at 1/1/2017	Issue in current period	Interest accrued on par value	Amortization of premium or discount	Repayment	Other decrease	Balance as at 3/1/2017
2012 <sup>1st</sup> phase MTN	6,000,000,000.00	2012/6/19	10 years	6,000,000,000.00	5,957,344,893.44			-7,796,606.56			5,965,141,500.00
2012 <sup>2nd</sup> phase MTN	6,000,000,000.00	2012/7/17	7 years	6,000,000,000.00	5,979,979,223.86			-5,503,871.44			5,985,483,095.30
2012 <sup>3rd</sup> phase MTN	4,500,000,000.00	2012/9/14	10 years	4,500,000,000.00	4,463,717,500.00			-6,310,000.00			4,470,027,500.00
2016 <sup>1st</sup> phase Corporate bonds (Category 1)	1,500,000,000.00	2016/10/17	5 years	1,500,000,000.00	1,500,000,000.00						1,500,000,000.00
2016 <sup>1st</sup> phase Corporate bonds (Category 2)	5,500,000,000.00	2016/10/17	7 years	5,500,000,000.00	5,500,000,000.00						5,500,000,000.00
2017 <sup>1st</sup> phase Corporate bonds (Category 1)	1,100,000,000.00	2017/11/15	5 years	1,100,000,000.00		1,100,000,000.00					1,100,000,000.00
2017 <sup>1st</sup> phase Corporate bonds (Category 2)	900,000,000.00	2017/11/15	13 years	900,000,000.00		900,000,000.00					900,000,000.00
2017 <sup>1st</sup> phase SCP	3,000,000,000.00	2017/3/27	179 days	3,000,000,000.00		3,000,000,000.00			3,000,000,000.00		

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Name of bonds	Par value	Date of issue	Bond period	Issue amount	Balance as at 1/1/2017	Issue in current period	Interest accrued on par value	Amortization of premium or discount	Repayment	Other decrease	Balance as at 31/12/2017
Corporate bonds	500,000,000.00	2015/2/12	3 years	4,864,801,714.00	3,687,507,742.03					3,687,507,742.03	
<b>Total</b>	<b>29,000,000,000.00</b>			<b>33,364,801,714.00</b>	<b>27,088,549,359.33</b>	<b>5,000,000,000.00</b>	<b>0.00</b>	<b>-19,610,478.00</b>	<b>3,000,000,000.00</b>	<b>3,687,507,742.03</b>	<b>25,420,652,095.30</b>

Note: Other decreases of bonds payable in the current period are reclassified from non current liabilities due within one year. The bond will expire on February 12, 2018.

#### 8.42 Long-term payables

The top 5 items according to the ending balance

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
<b>Total</b>	<b>6,442,081,691.27</b>	<b>321,590,131.78</b>
Including:		
Shareholder loans from Tianjing Jianxin	6,250,000,000.00	
China Shipbuilding Industry Corporation	88,342,290.76	262,947,563.79
Shanghai Golden State Kongshun Leasing Co. Ltd.	30,952,009.87	
Wuhan Optics Valley Finance Leasing Co., Ltd.	17,143,345.59	
Shandong Huaxing Textile Group Co., Ltd.	16,300,000.00	16,300,000.00

#### 8.43 Long-term employee benefits payable

Category	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017
Post -employment benefits—defined benefits plans	306,992,152.69	8,357,460.82	29,990,665.98	285,358,947.53
Termination benefits	485,455,883.21	3,012,736.23	90,911,381.56	397,557,237.88
Other long-term benefits	72,501,234.18	491,069.98	5,511,093.73	67,481,210.43
<b>Total</b>	<b>864,949,270.08</b>	<b>11,861,267.03</b>	<b>126,413,141.27</b>	<b>750,397,395.84</b>

#### 8.44 Specific payables

The top 5 items according to the ending balance

Item	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017
<b>Total</b>	<b>2,140,736,239.07</b>	<b>854,446,963.41</b>	<b>1,435,136,140.79</b>	<b>1,560,047,061.69</b>
Including: Capital fund for Phase I of Longxue Civil Shipbuilding	400,000,000.00			400,000,000.00
Others	145,601,000.00	45,000,000.00		190,601,000.00
Infrastructure appropriated fund for security construction of administrative levels	134,460,792.66	25,000,000.00	26,420,000.00	133,040,792.66
The project of the Education Committee and the human Insurance Bureau	201,820,687.08	185,800,432.08	245,150,832.62	142,470,286.54
Marine engineering and high technology ship engineering supporting projects (central finance)	58,320,000.00			58,320,000.00

#### 8.45 Provisions

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Pending litigation	97,321,320.73	74,459,564.64
Warranties for product quality	1,855,142,498.69	1,746,656,788.09
Loss of contracts to be performed	2,708,285,912.34	1,432,768,888.75
Others	47,295,319.49	83,437,430.38
<b>Total</b>	<b>4,708,045,051.25</b>	<b>3,337,322,671.86</b>

#### 8.46 Deferred income

Item	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017
National financial subsidy projects	258,217,653.15	786,876,838.34	805,687,096.38	239,407,395.11
Local financial subsidy projects	466,732,572.33	154,308,831.49	121,126,341.71	499,915,062.11
Research funds subsidy projects	436,060,942.63	303,616,874.21	502,625,828.70	237,051,988.14
Relocation compensation	188,062,325.69	2,189,215.08	11,066,760.64	179,184,780.13
<b>Total</b>	<b>1,349,073,493.80</b>	<b>1,246,991,759.12</b>	<b>1,440,506,027.43</b>	<b>1,155,559,225.49</b>

#### Government subsidies

Item	Catrfories	Balance as at 1/1/2017	Increase	Recorded in profit and loss for current period	Decrease	Other movement	Balance as at 31/12/2017
National financial subsidy projects	Income related	176,364,967.17	772,109,038.34	769,415,932.49			179,058,073.02
National financial subsidy projects	Assets related	81,852,685.98	14,767,800.00	36,271,163.89			60,349,322.09
Local financial subsidy projects	Income related	188,237,571.60	88,751,423.45	107,972,086.09			169,016,908.96
Local financial subsidy projects	Assets related	278,495,000.73	65,557,408.04	13,154,255.62			330,898,153.15
Research funds subsidy projects	Income related	432,831,851.59	303,616,874.21	502,222,192.22			234,226,533.58
Research funds subsidy projects	Assets related	3,229,091.04		403,636.48			2,825,454.56
Relocation compensation	Assets related	188,062,325.69	2,189,215.08	11,066,760.64			179,184,780.13
<b>Total</b>		<b>1,349,073,493.80</b>	<b>1,246,991,759.12</b>	<b>1,440,506,027.43</b>			<b>1,155,559,225.49</b>

#### 8.47 Other non-current liabilities

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
BOD	767,575,327.50	
Project of debt-to-equity swap of China Huarong Asset Management Co., Ltd	31,410,000.00	31,410,000.00
Exchange gain or loss to be written-off	12,283,576.50	12,283,576.50
The estimated value of assessment of the restructuring of the Installation Company	8,452,848.29	8,452,848.29
The general contracting reform of Jiangnan Shipyard pending to be processed, will be written-off after the approval of the SASAC	5,644,759.76	5,644,759.76
Other liabilities	1,072,008.29	1,072,008.29
<b>Total</b>	<b>826,438,520.34</b>	<b>58,863,192.84</b>

#### 8.48 Paid-up capital

Name of investor	Balance as at 1/1/2017		Increase	Decrease	Balance as at 31/12/2017	
	Investment amount	PCT%			Investment amount	PCT%
<b>Total</b>	<b>25,500,000,000.00</b>	<b>100.00%</b>	<b>6,500,000,000.00</b>		<b>32,000,000,000.00</b>	<b>100.00%</b>
National capital	25,500,000,000.00	100.00%	6,500,000,000.00		32,000,000,000.00	100.00%

Note: The increase of the capital paid up in this period is the increase of the capital reserve, and the detail information is in "1.1 the place of registration, the form of the organization and the address of the headquarters" of "1. The basic situation of the enterprise"

#### 8.49 Capital reserve

Category	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017
Capital (Share) premium	5,772,217,005.56	1,637,588,278.50	6,500,000,000.00	909,805,284.06
Other capital reserves	8,651,124,579.01	404,895,042.51	35,266,166.22	9,020,753,455.30
Including: Other equity change of the invested entity	73,045,539.43	402,476,706.36		475,522,245.79
Others	8,578,079,039.58	2,418,336.15	35,266,166.22	8,545,231,209.51
Capital reserve transferred in from the previous system	1,400,172,076.83			1,400,172,076.83
<b>Total</b>	<b>15,823,513,661.40</b>	<b>2,042,483,321.01</b>	<b>6,535,266,166.22</b>	<b>11,330,730,816.19</b>
Including: Exclusively state-owned capital reserve	5,772,217,005.56	1,637,588,278.50	6,500,000,000.00	909,805,284.06

Note: 1. The "capital premium" increased by 1,637,588,278.50 yuan in the current period and reduced by 6,500,000,000.00 yuan, including:

(1) The group and some subsidiaries directly transferred 1,637,491,486.03 yuan from the state capital to capital reserves in 2017.

(2) The group's wholly owned subsidiary, Nanjing CSSC Lvzhou Machinery Co., Ltd added capital to the subsidiary company, Nanjing CSSC Oasis Environmental Protection Co., Ltd. The share ratio increased from 91.66% to 91.90%, and increased the capital reserve by 26,184.50 yuan.

(3) CSSC Shanghai Shipbuilding Industry Co., Ltd, the wholly owned subsidiary of the group, purchased the minority shareholders of a subsidiary company, Shanghai Yangzi International Travel Agency Co., Ltd. The capital reserve raised 70,607.97 yuan in accordance with the difference between the shares of net assets and the payment.

(4) The reduction of capital premiums reduced 6,500,000,000 yuan, which is described in detail in "1. The basic conditions of enterprises: 1.1 The place of registration, organizational form and headquarters address."

2. "Other capital reserves - changes in other rights and interests of the invested units" increased by 402,476,706.36 yuan, including:

(1) CSSC Power Co., Ltd, one of the wholly owned subsidiaries of the group has confirmed the change of other rights and interests of the joint venture, Zhenjiang CSSC Hitachi Shipbuilding Machinery Co. Ltd by 70,206.70 yuan, in accordance with the shareholding ratio.

(2) Hudong-Zhonghua Shipbuilding (Group) Co., Ltd, a wholly owned subsidiary of the group, confirmed the change of other rights and interests of the associated enterprise, Shanghai Huchuan New Business Development Co., Ltd. by 84,227.66 yuan, in accordance with the shareholding ratio.

(3) Bank of Shanghai Inc. Co. issued 600,450,000 shares of common stock (A share) for the first time in November 2016. The total amount of funds raised is 10.67 billion yuan, and the net fund is RMB 10.461 billion yuan deducting the issuance cost, of which 600 million yuan is included in capital stock and 9.861 billion yuan is recognized in the capital reserve. CSSC International Trading Co., Ltd, one of the wholly owned subsidiaries of the group, confirmed other capital reserve by 402,322,272 yuan on the basis of the premium of the shares issued by Bank of Shanghai Inc. Co.

3, "other capital reserves - other" increased by 2,418,336.15 yuan this year because the minority shareholders, Jiangsu Yangzijiang International Metallurgy Industrial Park Investment Development Co., had 31% shares of Zhangjiagang Jiulong Logistics Park Enterprise Management Co., Ltd, one of subsidiary company of the group at the beginning of current year, but it withdrew only 4,500,000 yuan as paid in capital when disinvesting, abandoning the retained earnings by 4,741,834.17 yuan. The group increased its capital reserve by 2,418,336.15 yuan based on the shareholding ratio of 51%.

4, "Other capital reserves - other" reduced 35,266,166.22 yuan, including:

(1) The changes in the funds calculated by subordinate institutions cause the decrease of the capital reserve by 35,261,197.35 yuan.

(2) In 2016, the group switched out of the capital reserve of the Shanghai Jiangnan Shipyard computer engineering company by 4,968.87 yuan because of disposal of the subsidiary company.

#### 8.50 Special reserve

Item	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017	Remark
Safety costs	64,881,662.88	230,037,744.61	207,374,443.44	87,544,964.05	

In addition to special reserve disclosed above belongs to the parent companies, a minority stake takes 19,472,508.74 yuan.

#### 8.51 Surplus reserve

Item	Balance as at 1/1/2017	Increase	Decrease	Balance as at 31/12/2017
Statutory surplus	2,330,139,839.63	374,747,366.85		2,704,887,206.48

Note: The statutory surplus reserve increased this year by 10% of the net profit of parent company.

#### 8.52 Retained earnings

Item	The current amount	Last term amount
Balance as at 1/1/2017	19,671,940,472.84	18,178,125,030.59
Additions	3,056,741,045.18	2,441,952,718.38
Including: Net profit attributable to the Company during the year	2,506,337,973.12	2,441,952,718.38
Other adjustments	550,403,072.06	



Item	The current amount	Last term amount
Reductions	592,898,066.85	948,137,276.13
Including: Appropriation of surplus reserve	374,747,366.85	177,884,591.40
Appropriation of general risk reserve		
Cash dividend distributed	218,150,700.00	151,649,900.00
Common share dividends converted to share capital		
Other deductions		618,602,784.73
Ending balance	22,135,783,451.17	19,671,940,472.84

Note: (1) Bank of Shanghai Inc. Co. issued 600 million 450 thousand shares of ordinary shares (A shares) for the first time in November 2016. According to the financial enterprise [2009] No. 94 document, CSSC International Trading Co., Ltd., one of the wholly owned subsidiaries of the group transferred 4,959,933 shares of Bank of Shanghai Inc. Co. to the social security foundation. CSSC International Trading Co. Ltd. Checked and recalculated the amount transferred last year, found the mistake, and turned back by 514,000,128.88 yuan in this year. Since Bank of Shanghai Inc. Co.'s 2016 annual report announcing late,

(2) Jiujiang CSSC Firefighting Equipment Co., Ltd., a wholly owned subsidiary of the group, did not confirm the special reserve of the minority shareholders in the previous annual consolidated financial statements. In 2017, the difference was adjusted by increasing the undistributed profit of 387,005.02 yuan, and reducing the special reserve of 387,005.02 yuan belonging to the parent company.

(3) Because of cross shareholding between the subsidiary enterprises of the group, several financial statements of invested companies formed by business combination under different control should be adjusted according to fair value, and differences caused by unilateral allocation of dividends by a small number of companies should be taken into account when the consolidated financial statements of previous years compiled. But they didn't. The difference has been corrected in the year, and undistributed profit increased by 36,015,938.16 yuan.

## 8.53 Operating income and operating cost

### 8.53.1 Operating income and operating cost

Item	Year ended 31/12/2017		Year ended 31/12/2016	
	Income	Cost	Income	Cost
Logistics, finance and other business	116,919,067,247.34	115,135,143,271.61	114,791,512,315.88	112,080,302,706.62
Shipbuilding and repairing business	70,976,387,778.86	62,359,845,712.72	71,880,627,163.48	63,392,563,535.35
Ancillary services business	8,449,011,751.92	6,662,832,234.81	6,833,108,219.38	5,198,143,907.91
Scientific research business	4,255,048,492.52	3,338,737,583.40	4,159,085,450.32	3,197,770,466.76
<b>Total</b>	<b>200,599,515,270.64</b>	<b>187,496,558,802.54</b>	<b>197,664,333,149.06</b>	<b>183,868,780,616.64</b>

8.53.2 The top 10 amount of Construction contract with confirmed income in the current period

Contracts	The total amount of the contract	Total cost of contract	Progress (%)	Accumulation of contract revenue recognized	Accumulation of contract cost recognized	Accumulation of gross profit recognized	Amount settled	Cumulative receipts	Contract revenue recognized in the current period	Contract cost recognized in the current period
<b>Fixed cost contract</b>	<b>76,688,406,589.39</b>	<b>72,909,362,333.42</b>	—	<b>58,840,947,401.15</b>	<b>54,205,701,728.88</b>	<b>2,960,741,687.89</b>	<b>50,539,832,205.88</b>	<b>51,578,329,570.54</b>	<b>34,813,751,557.31</b>	<b>32,378,442,397.82</b>
Including: 1. H2580	6,443,000,000.00	6,253,000,000.00	71.46	4,584,582,165.55	4,468,397,858.08	115,984,307.47	4,832,250,000.00	4,832,250,000.00	4,110,204,569.23	3,974,424,368.83
2. 15121018	2,510,000,000.00	2,420,514,711.61	83.60	2,098,360,000.00	2,023,523,714.87	74,836,285.13	2,008,000,000.00	2,008,000,000.00	1,444,328,582.00	1,369,492,297.00
3. H2587	3,281,480,000.00	3,187,000,000.00	79.02	2,592,982,820.44	2,518,325,953.15	74,656,867.29	2,953,332,000.00	2,953,332,000.00	1,295,531,090.47	1,258,230,306.24
4. H1740A	1,625,300,000.00	1,437,240,000.00	96.90	1,574,915,700.00	1,392,885,560.00	182,230,140.00	1,462,770,000.00	1,462,770,000.00	1,290,089,280.05	1,107,859,140.05
5. H2589	6,443,000,000.00	6,253,000,000.00	22.26	1,391,993,785.67	1,391,993,785.67		2,577,200,000.00	2,577,200,000.00	1,235,878,302.72	1,235,878,302.72
6. H1741A	1,625,300,000.00	1,412,620,000.00	70.98	1,153,637,940.00	1,002,677,676.00	150,960,264.00	1,137,710,000.00	1,137,710,000.00	1,124,764,864.23	973,804,600.23
7. H2586	3,281,480,000.00	3,187,000,000.00	82.83	2,718,147,531.17	2,639,886,935.74	78,260,595.43	2,953,332,000.00	2,953,332,000.00	1,056,793,045.19	1,026,365,979.70
8. 15121017	940,000,000.00	995,066,668.99	98.11	922,234,000.00	976,240,583.85		910,700,000.00	865,165,000.00	922,234,000.00	976,240,584.00
9. H1742A	1,315,000,000.00	1,253,060,000.00	86.47	1,137,080,500.00	1,083,520,982.00	53,559,518.00	1,052,000,000.00	1,052,000,000.00	862,115,816.37	808,556,298.37
10. H1665A	1,402,080,000.00	1,343,120,000.00	80.52	1,127,950,700.00	1,081,480,224.00	46,470,476.00	499,491,225.00	499,491,225.00	846,301,494.27	799,831,018.27
<b>Cost plus contract</b>	<b>6,182,618,292.77</b>	<b>5,581,119,687.13</b>	—	<b>4,650,114,854.30</b>	<b>4,789,150,787.66</b>	<b>215,500,920.80</b>	<b>3,813,185,757.20</b>	<b>2,184,520,190.36</b>	<b>1,354,185,937.17</b>	<b>1,265,706,308.95</b>
Including: Jiangsu University of Science and Technology new campus construction project	2,925,000,000.00	2,341,010,000.00	72.80	2,406,410,000.00	2,200,827,700.00	205,582,300.00	1,699,670,853.31	1,679,950,000.00	653,260,000.00	565,982,800.00
Dock reconstruction project	240,155,578.00	239,915,662.00	39.00	93,537,879.99	93,537,880.99		93,537,879.99	93,537,879.99	93,537,879.99	93,537,879.99
BT contract of 2nd and 3th tenders construction project of Changfeng road Xuyong county	133,795,851.44	131,016,251.44	95.01	120,283,759.70	113,905,507.70	6,378,252.00	18,439,392.95	18,439,392.95	78,881,065.56	75,183,189.25
Zhoushan Port Comprehensive Bonded Zone Qushan District embankment and land formation project	414,946,822.00	413,844,982.00	87.22	336,262,910.90	335,370,420.50	892,490.40	339,262,910.90	336,262,910.90	70,909,417.48	70,722,104.68
166022 installation and welding factory building item	157,241,284.00	157,084,200.00	91.00	143,760,122.08	143,760,122.08		143,760,122.08	142,760,122.08	51,851,532.00	51,851,532.00
Haizheng Industrial Park and conditional construction project management general contracting	164,994,410.38	164,474,742.95	81.24	114,033,962.97	113,675,392.44	358,570.53	114,033,962.97	114,895,863.07	50,548,977.00	50,387,880.09
Engineering contract of the phase 2 of Rui 'Yuan office building	160,660,000.00	159,790,000.00	69.00	95,425,331.22	94,912,031.22	513,300.00	95,426,733.41	34,294,897.73	48,039,225.94	47,786,925.94
CSSC Dragon Cave base worker dormitory area (phase I) item design and construction general contract	437,612,696.40	436,151,585.79	100.00	439,523,389.72	438,054,008.51	1,471,381.21	418,387,593.13	411,276,194.04	44,727,565.96	44,644,239.83
CSSC Industry Park high-end processing and manufacturing center construction item	175,301,656.00	174,749,524.80	27.86	43,998,689.49	43,849,614.07	149,075.42	33,789,500.23	31,992,086.37	43,998,689.49	43,849,614.07
2# dockyard lengthened item	84,589,295.67	84,290,158.67	51.74	39,432,954.85	39,277,403.61	155,551.24	39,432,954.85	39,005,394.85	39,432,954.85	39,277,403.61

### 8.53.3 Net interest income

Item	Year ended 31/12/2017	Year ended 31/12/2016
<b>Interest income</b>	703,850,120.21	673,275,109.62
—Deposits at other banks	640,416,939.15	601,363,051.61
—Deposits placed in Central Bank	36,170,029.27	41,710,967.56
—Lending funds		
—Granting loans and paying on behalf of other parties	25,499,515.98	29,909,869.88
Including: Personal loans and advances		
Corporate loans and advances	13,816,390.17	-203,342.38
Bill discounting	11,683,125.81	30,113,212.26
—Buying back the sale of financial assets	1,763,635.81	291,220.57
—Bond investments		
—Others		
Including: Interest income from impaired financial assets		
<b>Interest expenses</b>	13,505,047.88	6,084,286.47
—Interbank deposit		
—Borrowing from the Central Bank		
—Loans from other banks	458,972.45	2,629,432.73
—Absorption of deposits	13,046,075.43	3,040,050.13
—Financial assets sold under repurchase agreements		111,878.59
—Issuance of bonds		
—Others		302,925.02
<b>Net interest income</b>	690,345,072.33	667,190,823.15

### 8.53.4 Fee and commission income

Item	Year ended 31/12/2017	Year ended 31/12/2016
<b>Fee and commission income</b>	82,432,430.56	144,313,433.21
—Service charge on agency business	36,712,514.32	16,914,273.68
—Credit commitments fee and commission	688,229.58	
—Commission on trust and other fiduciary services	45,031,686.66	127,399,159.53
<b>Fee and commission expenses</b>	3,582,004.29	2,500,443.38
—Service fee expense	3,582,004.29	2,500,443.38
<b>Net fee and commission income</b>	78,850,426.27	141,812,989.83

#### 8.54 Selling and distribution expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016
Sales service fee	591,018,247.23	578,569,579.21
Employee benefits	409,231,940.61	348,963,314.19
Commission	101,143,163.81	114,222,691.39
Freight cost	48,166,984.82	90,486,937.95
Business expenses	41,382,124.59	47,807,008.75
Exhibition fee	19,191,770.68	41,782,981.77
Commission fee on consignment sale	17,831,686.85	3,775,473.80
Advertising fee	14,161,309.95	15,315,430.42
Storage and preservation fee	9,010,457.58	691,473.12
Insurance premium	6,285,100.02	1,110,830.54
Depreciation expense	3,464,960.35	3,719,988.86
Repair cost	2,923,076.86	2,097,229.82
Packing expenses	1,900,008.37	2,677,576.53
Loading and unloading charges	1,884,417.99	1,987,917.78
Sample and product loss	106,406.01	49,918.75
Others	99,669,635.61	85,805,757.00
<b>Total</b>	<b>1,367,371,291.33</b>	<b>1,339,064,109.88</b>

#### 8.55 General and administrative expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016
Research and development expenses	3,362,192,043.02	2,811,496,182.92
Employee benefits	2,898,705,699.40	2,877,668,226.97
Repair cost	783,694,988.44	947,554,740.00
Depreciation expense	373,017,763.47	397,845,684.51
Amortization of intangible assets	294,115,447.03	290,987,727.30
Office expenses	176,746,350.26	145,766,851.95
Travel expenses	88,342,058.71	89,071,993.04
Business entertainment expenses	83,602,055.42	94,131,113.70
Litigation fee	73,640,413.84	20,049,486.63
Insurance premium	57,738,122.96	49,683,754.87
Hiring intermediary agency fee	50,156,255.03	39,262,313.67
Consulting fees	40,855,406.08	43,510,503.87
Sewage charges	26,952,019.56	24,406,499.90
Conference fee	9,415,709.83	9,607,696.40
Board of directors	6,126,092.82	6,920,455.00

Item	Year ended 31/12/2017	Year ended 31/12/2016
Other	1,320,874,496.12	1,266,397,634.68
<b>Total</b>	<b>9,646,174,921.99</b>	<b>9,114,360,865.41</b>

#### 8.56 Finance expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016
Interest expenses	2,932,373,592.10	2,805,567,154.71
Less: interest income	724,615,134.01	1,192,938,255.39
Losses from foreign exchange	2,137,909,383.00	-368,855,589.79
Others	156,429,954.24	126,071,319.63
<b>Total</b>	<b>4,502,097,795.33</b>	<b>1,369,844,629.16</b>

#### 8.57 Impairment on assets

Item	Year ended 31/12/2017	Year ended 31/12/2016
Allowance for doubtful debts	624,857,279.74	528,730,700.38
Provision for diminution in value of inventory	4,924,751,799.03	3,562,060,885.78
Impairment loss on available-for-sale financial assets	175,490,904.71	-292,589,664.64
Impairment loss on long-term equity investment		2,051,970.02
Impairment loss on fixed assets	10,845,405.25	59,780,572.16
Impairment loss on construction in process	-976,582,874.52	1,100,616,045.73
Other impairment losses	-600,293,921.07	11,044,218.87
<b>Total</b>	<b>4,159,068,593.14</b>	<b>4,971,694,728.30</b>

#### 8.58 Gain from fair value changes

Source of gains/(losses) from changes in fair value	Year ended 31/12/2017	Year ended 31/12/2016
Financial assets measured at fair value through profit or loss for the current period	455,948,295.26	-152,400,230.96
Including: gains from changes in fair value of derivative financial instruments	36,639,255.91	-13,063,411.11
Financial liabilities measured at fair value through profit or loss for the current period	4,518,705.69	149,336,917.70
Including: gains from changes in fair value of derivative financial instruments	-3,366,294.31	181,241,917.70
<b>Total</b>	<b>460,467,000.95</b>	<b>-3,063,313.26</b>

#### 8.59 Investment income

Source of gains/(losses)	Year ended 31/12/2017	Year ended 31/12/2016
Gain/(Loss) from long-term equity investments in equity method	3,882,711,975.44	2,136,406,646.93
Gain/(Loss) on disposal of long term equity investment	328,178,235.15	30,119,727.60

Source of gains/(losses)	Year ended 31/12/2017	Year ended 31/12/2016
Gain/(Loss) from financial assets measured at fair value through profit and loss for the current period	58,804,684.79	95,051,733.26
Gain/(Loss) on disposal of financial assets measured at fair value through profit or loss for the current period	2,863,031.70	-186,033,911.55
Gain/(Loss) on held-to-maturity financial assets during the holding period	128,249,160.48	169,487,148.57
Gain/(Loss) on disposal of held-to-maturity financial assets	25,787,247.09	6,194,510.41
Gains on available-for-sale financial assets during the holding period	670,141,761.76	712,286,453.05
Gains on disposal of available-for-sale financial assets	8,974,386.99	143,381,773.29
Others	140,617,309.59	43,346,188.28
<b>Total</b>	<b>5,246,327,792.99</b>	<b>3,150,240,269.84</b>

#### 8.60 Gains (Losses) from disposal of assets

Item	Year ended 31/12/2017	Year ended 31/12/2016
Gains or losses from disposal of fixed assets and intangible assets not divided into held for sale.	29,822,582.28	390,016,607.16

#### 8.61 Other income

Item	Category	Year ended 31/12/2017	Year ended 31/12/2016
Government grants included in non-operating income for the current period	Income related	315,987,305.76	
National financial subsidy projects	Assets related	5,761,093.52	
Local financial subsidy projects	Income related	188,785,364.53	
Local financial subsidy projects	Assets related	5,950,000.00	
Research funds subsidy projects	Income related	211,062,334.30	
Research funds subsidy projects	Assets related	567,664.70	
Revenue of franchise contract of Lupu Bridge		214,470,000.00	
<b>Total</b>		<b>942,583,762.81</b>	

#### 8.62 Non-operating income

Item	Year ended 31/12/2017	Year ended 31/12/2016	Amount to be included in non-recurring gain or loss for the year
Relocation compensation income	1,025,826,755.75		1,025,826,755.75
Compensation of the ship contracts cancelled	689,040,770.85	17,004,904.58	689,040,770.85
Government subsidies	334,840,434.14	1,311,653,520.16	334,840,434.14
Income on damage or abandonment of non-current assets		640,232.05	
Gains on debt restructuring	491,474.18	133,005.16	491,474.18
Donation	5,715.00		5,715.00
Compensation income	9,829,438.80	4,835,726.65	9,829,438.80
compensatio on McKee exchange rate	6,509,591.19	12,210,492.56	6,509,591.19

Item	Year ended 31/12/2017	Year ended 31/12/2016	Amount to be included in non-recurring gain or loss for the year
Tax refund	1,505,315.80	8,832,655.00	1,505,315.80
Others	236,630,816.01	145,812,364.60	236,630,816.01
<b>Total</b>	<b>2,304,680,311.72</b>	<b>1,501,122,900.76</b>	<b>2,304,680,311.72</b>

Government grants included in non-operating income for the current period

Item	Year ended 31/12/2017	Year ended 31/12/2016	Related to assets/income
Research funds subsidy projects	15,465,929.23	391,279,198.53	Income related
Research funds subsidy projects		20,087,272.96	Assets related
National financial subsidy projects	127,777,520.74	444,450,481.94	Income related
National financial subsidy projects		62,326,749.13	Assets related
Local financial subsidy projects	184,789,842.79	331,967,383.14	Income related
Local financial subsidy projects	5,603,422.13	4,956,703.28	Assets related
Return of tax	1,203,719.25	56,585,731.18	Income related
<b>Total</b>	<b>334,840,434.14</b>	<b>1,311,653,520.16</b>	—

8.63 Non-operating expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016	Amount to be included in non-recurring gain or loss for the year
Losses on onerous contract	121,634,214.22	159,973,760.05	121,634,214.22
Late fees, fines and liquidated damages	24,281,104.48	4,972,196.80	24,281,104.48
Losses on debt restructuring	11,751,172.99		11,751,172.99
Losses on damage or abandonment of non-current assets	3,600,614.19	6,490,960.88	3,600,614.19
Donation	3,859,494.72	39,708,543.57	3,859,494.72
Others	27,757,014.71	97,727,097.12	27,757,014.71
<b>Total</b>	<b>192,883,615.31</b>	<b>308,872,558.42</b>	<b>192,883,615.31</b>

8.64 Income tax expenses

8.64.1 Details of income tax expenses

Item	Year ended 31/12/2017	Year ended 31/12/2016
Current income tax expense calculated according to tax laws	709,879,670.00	759,024,669.11
Deferred income tax	384,535,879.50	267,675,730.10
Others	8,435,627.26	3,193,497.32
<b>Total</b>	<b>1,102,851,176.76</b>	<b>1,029,893,896.53</b>

8.64.2 Reconciliation between income tax expenses and accounting profit is as follows:

Item	Year ended 31/12/2017
Profit before tax	2,556,423,799.96
Income tax expenses calculated at statutory/applicable tax rates	639,105,860.03
Effect of different tax rate	-62,951,656.27
Effect of adjustment for income tax in prior year	-13,912,726.12
Effect of income not subject to income tax	-860,385,384.07
Effect of expenses undeductible for tax purposes	108,407,546.06
Effect of extra deductios for research and development	-57,838,068.59
Effect of utilization of tax losses in prior years which haven't been recognized deferred tax assets	1,484,349,922.10
Effect of unrecognized deductible temporary differences and deductible losses in current period	-133,924,316.38
<b>Income tax expenses</b>	<b>1,102,851,176.76</b>



8.65 Other comprehensive income

8.65.1 Other comprehensive income Items, and income tax impact and profit and loss situation caused

Item	Year ended 31/12/2017			Year ended 31/12/2016		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
<b>Other comprehensive income not to be classified into profit or loss</b>	<b>-459,011.46</b>	<b>-129,829.14</b>	<b>-329,182.32</b>	<b>-10,920,846.00</b>	<b>-1,635,000.00</b>	<b>-9,285,846.00</b>
Changes in net assets or net liabilities from remeasurement of defined benefit plans	-639,857.46	-129,829.14	-510,028.32	-10,740,000.00	-1,635,000.00	-9,105,000.00
Other comprehensive income entitled in the invested company not to be reclassified in profit or loss under the equity method	180,846.00		180,846.00	-180,846.00		-180,846.00
<b>Other comprehensive income to be classified into profit or loss</b>	<b>202,882,602.93</b>	<b>-11,481,573.70</b>	<b>214,364,176.63</b>	<b>106,949,712.60</b>	<b>425,974,981.03</b>	<b>-319,025,268.43</b>
Other comprehensive income entitled in the invested company to be reclassified in profit or loss under the equity method	245,598,746.18		245,598,746.18	-263,140,556.75	-440,309.66	-262,700,247.09
Less: Net amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year						
Subtotal	245,598,746.18		245,598,746.18	-263,140,556.75	-440,309.66	-262,700,247.09
Gain or loss from fair value changes in available for sale financial assets	-37,194,732.27	-9,872,031.31	-27,322,700.96	796,570,810.35	551,387,921.87	245,182,888.48
Less: Net amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year	6,438,169.53	1,609,542.39	4,828,627.14	499,890,524.73	124,972,631.18	374,917,893.55
Subtotal	-43,632,901.80	-11,481,573.70	-32,151,328.10	296,680,285.62	426,415,290.69	-129,735,005.07
Translation difference of foreign currency financial statements	916,758.55		916,758.55	73,409,983.73		73,409,983.73
Less: Amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year						
Subtotal	916,758.55		916,758.55	73,409,983.73		73,409,983.73
<b>Total other comprehensive income</b>	<b>202,423,591.47</b>	<b>-11,611,402.84</b>	<b>214,034,994.31</b>	<b>96,028,866.60</b>	<b>424,339,981.03</b>	<b>-328,311,114.43</b>

Details of adjustments on each item of other comprehensive income

Item	Beginning balance of last year	Increase or decrease in last year	Beginning balance of this year	Increase or decrease in this year	Ending balance of this year
Changes in net assets or net liabilities from remeasurement of defined benefit plans	-68,430,500.00	-9,105,000.00	-77,535,500.00	-510,028.32	-78,045,528.32
Other comprehensive income entitled in the invested company can not to be reclassified in profit or loss under the equity method		-180,846.00	-180,846.00	180,846.00	
Other comprehensive income entitled in the invested company to be reclassified in profit or loss under the equity method	195,085,075.71	-262,700,247.09	-67,615,171.38	245,598,746.18	177,983,574.80
Changes in fair value of available-for-sale financial assets	686,825,416.63	-129,735,005.07	557,090,411.56	-32,151,328.10	524,939,083.46
Translation difference of foreign currency financial statements	-183,362,886.42	73,847,170.38	-109,515,716.04	916,758.55	-108,598,957.49
Others		-6,944,852.27	-6,944,852.27		-6,944,852.27
<b>Total</b>	630,117,105.92	-334,818,780.05	295,298,325.87	214,034,994.31	509,333,320.18

## 8.66 Debt restructuring

### 8.66.1 Discloser of debtors

Method of debt restructuring	Gains from debt restructuring	Capital increased	Contingent amount payable
Debts liquidated in cash below the debt balance	491,474.18	—	

### 8.66.2 Discloser of creditors

Method of debt restructuring	Losses from debt restructuring	Long term equity investment increased	Proportion of debtors' equity	Contingent amount payable
Mixed debt restructuring	11,751,172.99	804,216,259.36	2.45%	

Note: The Chongqing First Intermediate People's Court approved reorganization plan of Chongqing Iron & Steel Company Limited in civil ruling (2017), Yu 01 Po 3 in Nov 20, 2017. The reorganization plan stipulates that the ordinary creditor's right is dealt with in the minimum of every creditor. Creditor's right under 500,000 yuan( including 500,000 yuan) is paid in cash, and each 100 yuan claims get 15.990483 shares of Chongqing Iron and Steel shares in A-share market when exceeding 500,000 yuan. The price of stock paid off debt is 3.68 yuan / share, and the ratio is 58.844978%. The four subsidiary enterprise of the group, CSSC Industrial Complete Logistics Co.,Ltd, Hudong Zhonghua shipbuilding (Group) Co., Ltd., CSICEL(Guangzhou)Co.,Ltd. and Guangzhou Shipyards International Co., Ltd. participated in the reorganization plan, forming a cumulative loss of 11,751,172.99 yuan for debt restructuring.

## 8.67 Borrowing cost

Item	Category	Amount capitalized	Rate of capitalization
R & D building project	Construction in process	398,458.56	2.10
Wartsila mid - speed plant construction	Construction in process	534,761.01	1.80
Phase Two of Ruiyuan Apartment	Inventory	3,747,572.70	1.87
Item Z	Construction in process	328,500.00	4.95
Design R & D Center Construction Project	Construction in process	2,218,567.66	4.75
Phase Two of CSSC Marine Equipment Mechanical and electrical industry Park	Construction in process	678,918.00	1.08
Ship supporting technical transformation project (Phase I)	Construction in process	3,153,313.13	5.42
New Pipe Factory Unit Assembly Workshop (Phase II)	Construction in process	312,647.35	5.42
Phase Two of Power business plate	Construction in process	579,427.44	4.75
Long xue factory reconstruction Item	Construction in process	1,860,810.15	1.09
Item 7	Construction in process	208,899.72	3.26
<b>Total</b>		<b>14,021,875.72</b>	

#### 8.68 Translation of foreign currencies

Item	The current amount	Last term amount
Exchange difference recognized in current profit or loss	2,140,085,989.24	-355,768,147.01
The effects on the balance arising from the translation of foreign currency financial statements	916,758.55	73,409,983.73

#### 8.69 Leases

##### 8.69.1 Minimum lease receipts under finance leases (the Group as a lessor)

Remaining lease period	Minimum lease receipts
Within 1 year (Including 1 year)	757,626,518.29
Over 1 year and within 2 years (Including 2 years)	841,281,493.47
Over 2 year and within 3 years (Including 3 years)	886,236,025.16
Over 3 years	5,916,632,627.07
<b>Total</b>	<b>8,401,776,663.99</b>

##### 8.69.2 Fixed assets rented in under finance leases (lessee of a finance lease)

###### (1) Leased fixed assets

Item	As at 31/12/2017			As at 1/1/2017		
	Cost	Accumulated depreciation	Accumulated provision for impairment	Cost	Accumulated depreciation	Accumulated provision for impairment
Machinery & equipment				314,260,872.31	38,412,243.26	
Transportation vehicles				85,739,127.69	19,766,204.26	
Others	153,954,613.18	28,387,058.37		74,675,331.44	13,745,386.95	
<b>Total</b>	<b>153,954,613.18</b>	<b>28,387,058.37</b>		<b>474,675,331.44</b>	<b>71,923,834.47</b>	

###### (2) Minimum lease payments (lessee of a finance lease)

Remaining lease period	Minimum lease payments
Within 1 year (Including 1 year)	30,997,239.76
Over 1 year and within 2 years (Including 2 years)	22,084,908.36
Over 2 year and within 3 years (Including 3 years)	17,199,745.44
Over 3 years	35,410,435.12
<b>Total</b>	<b>105,692,328.68</b>

Note: The balance of unrecognized financial charges of the lessee of the finance lease is 13,236,804.37 yuan.

8.69.3 Assets leased out under operating leases (the Group as a lessor)

Assets leased out under operating leases	As at 31/12/2017	As at 1/1/2017
Transportation tools	3,359,951,356.30	3,357,470,909.46
Houses and buildings	1,431,072,731.65	2,001,011,614.25
Machines and equipment	104,784,370.47	305,522,924.90
Land use right	13,814,444.11	13,309,455.78
Electronic equipment	6,074,405.29	7,630,451.95
Other equipment	6,204,808.13	8,084,451.85
<b>Total</b>	<b>4,921,902,115.95</b>	<b>5,693,029,808.19</b>

Major operating leases (lessee of an operating lease)

Remaining lease period	Minimum lease payments on irrevocable operating leases
Within 1 year (Including 1 year)	63,054,055.74
Over 1 year and within 2 years (Including 2 years)	23,138,189.62
Over 2 year and within 3 years (Including 3 years)	10,682,468.95
Over 3 years	19,053,369.39
<b>Total</b>	<b>115,928,083.70</b>

8.70 Segment information

Item	Logistics, finance and other business		Ship building and repairing business		Supporting services business		Scientific research business		Offset		Total	
	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016	Year ended 31/12/2017	Year ended 31/12/2016
Operating revenue	125,919,154,132.94	119,558,712,796.78	76,062,833,440.21	83,342,576,594.02	11,758,851,811.44	13,541,035,233.82	6,255,058,601.10	5,851,990,324.46	-20,396,382,715.05	-24,629,981,800.02	200,599,515,270.64	197,664,333,149.06
Including: Revenues from external transactions	116,919,067,247.34	108,096,763,366.24	70,976,387,778.86	81,649,671,719.88	8,413,187,265.65	6,833,108,219.38	4,290,872,978.79	1,084,789,843.56			200,599,515,270.64	197,664,333,149.06
Revenue from internal transactions	10,000,086,885.60	11,461,949,430.54	5,086,445,661.35	1,692,904,874.14	3,345,664,545.79	6,707,927,014.44	1,964,185,622.31	4,767,200,480.90	-20,396,382,715.05	-24,629,981,800.02		0
Investment income from investments in associated enterprises and joint venture enterprises	3,104,270,059.42	1,950,698,847.08	-6,900,634.16	-95,849,941.19	862,766,348.91	283,844,608.86	-8,939,832.87	1,564,825.02	-68,483,965.86	-3,851,692.84	3,882,711,975.44	2,136,406,646.93
Asset impairment loss	-40,899,183.24	-22,857,140.22	4,011,732,427.61	4,478,249,699.14	67,396,225.21	312,850,563.48	18,010,381.28	7,699,977.44	102,828,742.28	195,751,628.46	4,159,068,593.14	4,971,694,728.30
Depreciation expense and amortization expense	296,683,433.00	290,800,414.53	2,874,813,891.60	2,801,301,413.49	412,412,432.90	426,835,711.39	160,298,927.64	147,940,286.48	-149,344,324.94	-107,053,232.23	3,594,874,360.20	3,559,824,593.66
Total profit	6,104,844,958.48	4,443,484,935.28	-3,779,880,053.86	-2,616,580,455.28	697,431,475.36	449,486,448.10	422,683,701.40	431,474,133.44	-888,656,281.42	-737,494,089.30	2,556,423,799.96	1,970,370,972.24
Income tax expense	514,742,556.94	561,627,704.62	164,559,038.25	422,602,064.67	71,385,172.88	51,059,019.02	28,851,417.74	40,720,565.60	323,312,990.95	-46,115,457.38	1,102,851,176.76	1,029,893,896.53
Net profit	5,590,102,401.54	3,881,857,230.66	-3,944,439,092.11	-3,039,182,519.95	626,046,302.48	398,427,429.08	393,832,283.66	390,753,567.84	-1,211,969,272.37	-691,378,631.92	1,453,572,623.20	940,477,075.71
Total assets	215,616,612,408.80	217,279,474,070.37	181,105,465,283.20	187,097,892,464.14	54,232,048,874.09	55,265,475,302.47	14,722,622,376.69	14,086,125,296.49	-174,756,298,689.35	-190,375,010,617.89	290,920,450,353.43	283,353,956,515.58
Total liabilities	131,292,767,399.72	146,572,153,659.56	148,693,999,416.13	151,477,863,567.00	36,872,891,147.36	38,975,813,880.23	8,789,339,325.17	8,596,340,517.76	-122,175,659,046.32	-145,630,819,099.96	203,473,338,242.06	199,991,352,524.59

## 8.71 Notes to consolidated cash flow statement

### 8.71.1 Supplement to statement of cash flows

Item	Year ended 31/12/2017	Year ended 31/12/2016
Net profit adjusted to cash flows from operating activities:	—	—
Net profit	1,453,572,623.20	940,477,075.71
Add: provision for asset impairment	4,159,068,593.14	4,971,694,728.30
Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets	3,793,112,511.54	4,227,132,864.09
Amortization of intangible assets	373,825,055.45	376,133,907.53
Amortization of long-term deferred expenses	48,953,846.53	106,797,175.88
Losses on disposal of fixed assets, intangible assets and other long-term assets ("—" for gains)	-29,822,582.28	-390,016,607.16
Losses on write-down of fixed assets ("—" for gains)	3,600,614.19	5,850,728.83
Losses from changes in fair value ("—" for gains)	-460,467,000.95	3,063,313.26
Financial expenses ("—" for income)	3,695,483,153.12	2,456,153,234.55
Investments losses ("—" for gains)	-5,246,327,792.99	-3,150,240,269.84
Decreases in the deferred tax assets ("—" for increases)	393,376,867.27	234,462,730.40
Increases in the deferred tax liabilities ("—" for decreases)	-8,840,987.77	-31,832,041.45
Decreases in inventories ("—" for increases)	7,316,874,659.93	-7,413,837,138.18
Decreases in operating receivables ("—" for increases)	-5,661,366,131.72	-2,972,625,122.10
Increases in operating payables ("—" for decreases)	-3,224,750,782.09	-16,357,376,459.53
Others		
Net cash flows from operating activities	6,606,292,646.57	-16,994,161,879.71
Significant investing and financing activities not involving cash inflow and outflow	—	—
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
Net change in cash and cash equivalents	—	—
Cash as at 31/12/2017	55,428,414,591.49	57,867,878,222.25
Less: cash as at 1/1/2017	57,867,878,222.25	60,413,403,460.27
Add: cash equivalents as at 31/12/2017		
Less: cash equivalents as at 1/1/2017		
Net increase in cash and cash equivalents	-2,439,463,630.76	-2,545,525,238.02

8.71.2 Net cash paid of acquiring subsidiaries and received from disposing subsidiaries during the year

Item	Amount
Cash and cash equivalents paid during the year for business combination incurred in the year	338.62
Less: cash and cash equivalents held by subsidiaries at acquisition date	
Add: cash and cash equivalents paid during the year for business combination incurred in prior periods	
Net cash paid of acquiring subsidiaries during the year	338.62
Cash and cash equivalents received during the year from disposing subsidiaries incurred in the year	14,884,718.00
Less: Cash and cash equivalents held by subsidiaries when losing control	13,955,440.75
Add: cash and cash equivalents received during the year from disposing subsidiaries incurred in prior periods	
Net cash received from disposing subsidiaries during the year	929,277.25

8.71.3 Cash and cash equivalents

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Cash	55,428,414,591.49	57,867,878,222.25
Including: cash on hand	3,980,815.78	4,648,606.83
Unrestricted bank deposits	52,114,247,413.39	53,273,499,842.97
Unrestricted other cash and cash equivalents	3,310,086,362.31	4,589,729,772.45
Unrestricted deposits with central bank		
Deposits with banks and other financial institutions		
Loans to or from banks and other financial institutions		
Cash equivalents		
Cash and cash equivalents as at 31/12/20X5	55,428,414,591.49	57,867,878,222.25

8.72 Monetary items denominated in foreign currency

Item	Balance in foreign currency as at 31/12/2017	Exchange rate	Balance translated into RMB as at 31/12/2017
<b>Cash at hand and in banks</b>			25,848,664,724.09
Including: USD	3,614,605,522.54	6.5342	23,618,555,405.38
EUR	138,138,652.03	7.8023	1,077,799,204.73
HKD	180,955,020.90	0.8359	151,260,301.97
JPY	128,628,638.62	0.0579	7,447,598.18
MOP	3.81	5.0928	19.40
DKK	597,518.35	0.9543	570,211.76
CAD	116,021,983.08	5.2009	603,418,731.80



China State Shipbuilding Corporation Limited  
Notes to the Financial Statements  
Jan. 1, 2017–Dec. 31, 2017

Item	Balance in foreign currency as at 31/12/2017	Exchange rate	Balance translated into RMB as at 31/12/2017
CHF	56,729,776.80	6.6779	378,835,776.49
SGD	53,033.20	4.8831	258,966.42
GBP	1,139,512.79	8.7792	10,004,010.69
NOK	407,554.87	1.2624	514,497.27
<b>Accounts receivable</b>			3,749,603,577.53
Including: USD	493,964,173.70	6.5342	3,227,660,703.79
EUR	35,794,669.95	7.8023	279,280,753.35
HKD	36,216,026.43	0.8359	30,272,976.49
GBP	215,894.46	8.7792	1,895,380.64
CAD	969,246.00	5.2009	5,040,951.52
JPY	85,471,758.00	0.0579	4,948,814.79
MOP	3,277,585.17	5.0928	16,692,085.75
CHF	27,525,406.37	6.6779	183,811,911.20
Long-term loans			17,910,106,845.40
Including: USD	2,660,005,572.87	6.5342	17,381,008,414.25
CHF	79,231,260.00	6.6779	529,098,431.15
<b>Interests receivable</b>			35,705,044.15
Including: USD	5,422,478.33	6.5342	35,431,557.90
HKD	327,175.80	0.8359	273,486.25
<b>Other receivables</b>			70,098,240.72
Including: USD	10,294,423.15	6.5342	67,265,819.75
EUR	18,484.00	7.8023	144,217.71
HKD	3,215,938.82	0.8359	2,688,203.26
<b>Non-current assets maturing within one year</b>			1,248,525,174.09
Including: USD	191,075,445.21	6.5342	1,248,525,174.09
<b>Long-term accounts receivable</b>			11,717,895,493.26
Including: USD	1,793,317,543.58	6.5342	11,717,895,493.26
<b>Accounts payable</b>			579,350,338.66
Including: USD	58,425,360.93	6.5342	381,762,993.39
NOK	56,884.00	1.2624	71,810.36
SGD	2,272.00	4.8831	11,094.40
JPY	490,511.00	0.0579	28,400.59
CAD	969,246.00	5.2009	5,040,951.52
GBP	215,894.46	8.7792	1,895,380.64
EUR	23,303,231.13	7.8023	181,818,800.25
HKD	10,432,955.51	0.8359	8,720,907.51

Item	Balance in foreign currency as at 31/12/2017	Exchange rate	Balance translated into RMB as at 31/12/2017
<b>Provisions</b>			12,780,895.20
Including: USD	1,956,000.00	6.5342	12,780,895.20
<b>Other payables</b>			79,744,478.96
Including: USD	12,175,645.73	6.5342	79,558,104.33
HKD	222,962.83	0.8359	186,374.63
<b>Short-term borrowings</b>			16,335,500.00
Including: USD	2,500,000.00	6.5342	16,335,500.00
<b>Interests payable</b>			103,285,977.41
Including: USD	15,806,981.33	6.5342	103,285,977.41
<b>Long-term payables</b>			321,241,282.33
Including: USD	49,163,062.40	6.5342	321,241,282.33

#### 8.73 Ownership or using rights of assets subject to restriction

Item	Carrying amount as at 31/12/2017	Restriction reason
Cash at bank and on hand	5,972,642,508.60	Loan pledge, guarantee / bill / letter of credit、time deposits of more than three months
Notes receivable	745,113,876.57	Guarantee for issuing bank acceptance bill
Inventories	91,242,837.20	An economic dispute case, court sealed up
Fixed assets	635,600,576.22	Loan mortgage, mortgage for bank credit line and preservation of litigation property
Intangible assets	932,667,872.24	pledge loan
Others	300,585,563.89	Deposit and loan portfolio financial security deposit、Pledge loan with collection right
<b>Total</b>	<b>8,677,853,234.72</b>	—

#### 9. Contingencies

##### 9.1 Guaranties provided by the Group in the current year

Warrantor	Warrantee	Type of guaranty	Amount of guaranty
Qianlong Steel Logistics Co., Ltd.	Jiangyin Luocheng Metal Materials Co.,Ltd.	Joint liability guarantee	3,000,000.00
Haiying Enterprise Group Co., Ltd.	Wuxi Binhu District Urban Investment Development Co., Ltd	Joint liability guarantee	482,000,000.00
Qianlong Steel Logistics Co., Ltd.	Jiangyin Honghao Metal Material Co.,Ltd.	Joint liability guarantee	2,000,000.00
Qianlong Steel Logistics Co., Ltd.	Jiangsu qianchi trading co. LTD	Joint liability guarantee	20,000,000.00
Qianlong Steel Logistics Co., Ltd.	Jiangsu Gen Gu iron and Steel Co., Ltd.	Joint liability guarantee	2,000,000.00
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	Shanghai Huarun East Ship Engineering Co., Ltd	Joint liability guarantee	664,560,000.00
<b>Total</b>	—	—	<b>1,173,560,000.00</b>

## 9.2 Contingent liabilities caused by other matters of the group

By the end of the year, main lawsuits and arbitration items of the group are totally 22 items, as following:

### 9.2.1 Lawsuit of Jiangxing Real Estate Co., Ltd. suing the People's Government of Changxing town defaulted the house repurchasing money

In November 2009, the fourth level entity Shanghai Jiangxing Real Estate Co., Ltd. (hereinafter referred to as Jiangxing Real Estate) obtained the construction rights of the second phase of supporting commercial housing construction projects in Changxing Town, Chongming County through the public tender. Because the plan adjusted, construction standards improved and building insulation materials changed, the costs of construction increased and the project was delayed. In March 2011, The People's Government of Changxing Town, as the actual performing party, replied to Jiangxing Real Estate in form of Mayor's administration meeting summary, in which the People's Government of Changxing Town would make up the difference to Jiangxing Real Estate in accordance with international and Shanghai administrative regulations.

On 31 August 2011, the two sides signed 'Ancillary Commercial Housing Supply Contract', which stated that Jiangxing Real Estate offered 1626 sets of ancillary commercial housing of phase two (Jiangnan Binjiangyuan) residence community it constructed in Changxing town. The total covered area is 139,460 square meters (should be proved by the actual area), and the total amount is RMB 467,191,000. After several communications, the two sides failed to reach the consensus with regards to the aforementioned amount declared in the Mayor's administration meeting summary.

As at January 24, 2014, the People's Government of Changxing Town owed RMB79,714,465.24 to Jiangxing Real Estate. As negotiations failed, in January 2015, Jiangxing Real Estate filed a lawsuit, required the People's Government of Changxing Town to pay the repurchase principal of 79,714,465.24 yuan, the interest of paymet in progress of 19,040,515.00 yuan, on-site downtime loss of 4,090,920.00 yuan and overdue payment interest of 17,123,201.00 yuan, which is 119,969,101.24 yuan in total.

On 15 November 2017, Shanghai Chongming People's Court made the first-instance verdict ((2015) Chong Min Yi (Min) Chu Zi No. 629), and requested that the People's Government of Changxing town should pay the house purchasing money of 9,714,905 yuan, the increased design costs of 2,173,404 yuan, the increased costs with regards to improved standards of 13,423,166.7 yuan, labour and material costs to make up the difference of 20,520,082.36 yuan, the downtime loss of 2,332,417.53 yuan and its interests of 16,773,157.61yuan.

On 19 November 2017, Jiangxing Real Estate was not satisfied with the aforementioned ruling

results and appealed.

#### 9.2.2 Dispute case of aromatic hydrocarbon procurement of Logistics Guangzhou

In February 2014, the subsidiary of the group, CSSC Industrial (Guangzhou) Complete Logistics Co., Ltd (hereinafter referred to as Guangzhou Company) signed “Cargo storage tripartite agreement” with Jinming oil depot and Guang Wu investment, agreed that the Guangzhou Company stored the cargo delivered by Guang Wu investment in Yu Jinming oil depot, and picked up goods by oil delivery notice issued by Jinming oil depot. After signing the warehousing agreement, the Guangzhou Company stores the mixed aromatics delivered by Guang Wu investment in the Jin Ming oil depot. In July 2014, when the Guangzhou Company held the oil delivery notice to the Jinming oil depot, the Jinming oil depot refused to deliver to the Guangzhou Company, involving a total of 34,055.13 tons of mixed aromatics. In September 5, 2014, the Guangzhou Company filed a lawsuit against the maritime court, requiring the court to confirm that 34,055.13 tons of aromatics were owned by the Guangzhou Company. The Jinming oil depot should delivered 34055.132 tons of aromatics and compensate for loss of the price difference. During the first instance proceedings, the maritime court sealed the two pieces of land, oil storage tanks and ancillary facilities of the Jinming oil depot in accordance with the application of the Guangzhou Company. In December 3, 2015, the Guangzhou maritime court decided to make a trial decision. In addition to confirming the aromatics ownership of Guangzhou Company, it asked the Jinming oil depot to deliver 34055.13 tons of aromatics to the Guangzhou Company, and compensate for the loss of price declining of 91,882,709.92 yuan and interest. If the Jinming oil depot failed to deliver the goods, the indemnification of the value is 270,672,152.92 yuan and interest. The Jinming oil depot refused, and appealed against the conviction. The Guangzhou Company has submitted an application for renewal of property preservation to the Guangdong provincial high court. The Supreme Court of Guangdong province organized evidence exchange on the case in March 15, 2017, and heard the case in March 17, 2017. As of the date of the report, the judgement of the second instance was not yet decided.

#### 9.2.3 Dispute case between Logistics Guangzhou and Taifa Special Steel

From November to December of 2013, the subsidiary of the group, CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics) signed two copies of the contract of buying and selling steel billets with the Xuzhou Taifa Special Steel Technology Co.,Ltd(hereinafter referred to as " Taifa Special Steel "), with a total amount of 84.35 million yuan. In the process of performance, the Complete Logistics prepaid approximately 98% of the total amount of the contract, which is 82,663,000 yuan to Taifa Special Steel, and charged a total of 16,999,800 yuan from the downstream customers as performance bond, but Taifa Special Steel

didn't delivered. In May 26, 2014, the Complete Logistics filed a lawsuit to the Yangpu court, requesting the release of the contract, requiring Taifa Special Steel to return all payments and to pay the interest on the funds and to bear the liability for breach of contract. In June 17, 2014, the Complete Logistics applied to the Yangpu court for the preservation of property. The Yangpu court preserved four bank accounts in which the funds of the freezing bank accounts totaled 7.86 million yuan and three pieces of lands (in Anhui). Through the mediation of the Yangpu court, Taifa Special Steel agreed to pay a total of 68.97 million yuan and the corresponding interest to the Complete Logistics in the agreed time limit, and to accept the case acceptance fee and preservation fee. Because the Taifa Special Steel has not fulfilled the obligation of payment in accordance with the two civil mediation letters, the Complete Logistics applied to the Yangpu court for enforcement.

#### 9.2.4 Dispute case among Logistics Guangzhou, Anhui Taike and Zhejiang Taike

From October 2013 to February 2014, the subsidiary of the group, CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics) has signed supply contracts with Anhui Taike Iron Tower Co., Ltd. (hereinafter referred to as " Anhui Taike ") and Zhejiang Taike Steel Tower Co., Ltd. (hereinafter referred to as " Zhejiang Taike "), with a total contract amount of 29.22 million yuan. Anhui Taike and Zhejiang Taike did not pay some of the contracts (total contract value was 25,264,600 yuan) after the expiration. Tyco, Zhejiang, did not pay for the goods. In September 25, 2014, the Complete Logistics filed a lawsuit to the Yangpu court, which required Anhui Taike and Zhejiang to fulfill the obligation of payment and undertake the liability for breach of contract, and also required the Anhui branch and Zhongrui Financing Guarantee Co.,Ltd.to undertake corresponding guarantee responsibilities. In November 4, 2014, through the mediation of the Yangpu court, Anhui Taike agreed to pay 10.95 million yuan for payment of goods, 389,700 yuan for liquidated damages and interest, while Anhui Taike agreed to pay 14,247,400 yuan for payment of goods, 467 thousand yuan for liquidated damages and interest. Because the two companies did not implement the mediation agreement, the Complete Logistics applied for enforcement. During the enforcement period, Anhui Taike and Zhejiang Taike entered bankruptcy procedures one after another, and the execution procedures ended. In May 10, 2017, Complete Logistics declared and confirmed the creditor's claim of 18.17 million yuan. In May 29, 2015, Complete Logistics declared and confirmed the amount of claims totaled 15.5 million yuan. In March 13, 2017, Complete Logistics filed a litigation was exercised against Zhongrui and its Anhui branch. In April 21, 2017, the court of Yangpu made a trial decision, requiring Zhongrui Company to undertake a joint liability of 12,557,000 yuan and 12, 807,000 yuan for the payment obligations of Anhui Taike and Zhejiang Taike respectively. In June 2017, Complete Logistics applied for

enforcement to the Yangpu court. Because the Zhongrui Company refused to comply, the Yangpu court terminated the execution in November 20, 2017.

#### 9.2.5 Dispute case among Logistics Guangzhou, Changlong Technologies and Zhejiang Taike

The Group's subsidiary CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics) carried out polyester chip trade with Jiangsu Xiake Color Spinning Co., Ltd. (hereinafter referred to as "Xiake Company"), agreed to purchase polyester slices from Jiangsu Changlong Technologies Co., Ltd. (hereinafter referred to as "Jiangsu Changlong") and delivered it to Chuzhou Prosperity Environmental Protection Color Fiber Co., Ltd. (a subsidiary of Xiake Company). Meanwhile, Xiake Company promised to provide a commercial acceptance bill to guarantee the performance of the contract. In July 25, 2013, the Complete Logistics signed a contract for purchase and sale of polyester chip with Jiangsu Changlong, and paid an advance payment of 50 million yuan according to the contract. In the performance of the contract, Jiangsu Changlong clearly indicated that it could not deliver goods to Complete Logistics according to the contract agreement. The Complete Logistics required Jiangsu Changlong to undertake the liability for breach of contract, and required Xiake Company to undertake the guarantee responsibility. In April 2014, the Complete Logistics prosecuted to the Yangpu court, requesting the court to cancel the purchase and sale contract, to require the Jiangsu Changlong returning 50,138,000 yuan to the Complete Logistic, and to bear the loss of interest and lawyer's fee. The Xiake Company is responsible for the joint liability of the contract liability of Jiangsu Changlong.

In June 25, 2014, the court of Yangpu ruled that Jiangsu Changlong returned 50 million yuan to the Complete Logistic. The case is final by the second instance, and the first trial is maintained. After the decision comes into effect, the Complete Logistics applied to the Yangpu court for enforcement of Jiangsu Changlong and Xia Ke Company. In June 30, 2015, the Complete Logistic received 32.8 million yuan because of the bankruptcy and reorganization of Xiake Company. The Complete Logistic continues to ask Jiangsu Changlong for the liquidation.

#### 9.2.6 Dispute case of steel billet purchase of Runde Company

In March 3, 2015, the Group subsidiary of Jiangyin Runde Materials Co., Ltd. (hereinafter referred to as "Runde Company") and Wuhu Xinxing Ductile Iron Pipes Co., Ltd. (hereinafter referred to as "Wuhu Xinxing") signed the "purchase and sale contract of industrial and mining products", stipulate that the quantity of the purchase of billet is 20 thousand tons, and the total amount is 45.6 million yuan. According to the contract, the Runde Company paid a total amount of 45.6 million yuan to the Wuhu Xinxing, but it was unable to deliver all the goods according to the contract. In June 10, 2015, the Wuhu Xinxing filed a lawsuit to the Wuhu middle court, requesting the court to

confirm that the contract signed between the Wuhu Xinxing and the Runde Company was invalid. It should not bear any responsibility arising from the invalidity of the contract, and should not bear the liability of delivery or refund to the Runde Company. In June 18, 2015, Runde Company countercharged Wuhu Xinxing and applied for property preservation before litigation. In December 25, 2015, the Wuhu intermediate people's court made a first instance judgment, confirming that the contract between Wuhu Xinxing and Shanghai Jin Sheng was invalid. In January 2016, both the Run Company and Wuhu Xinxing lodge an appeal. In September 25, 2017, the Anhui High Court ruled that the basic facts of the original judgment were not clear. The first instance judgment of the Wuhu intermediate people's court was revoked, and should sent back to the Wuhu intermediate people's court for retrial. At present, the case is under trial.

#### 9.2.7 Dispute case among Logistics Guangzhou, Shanxi Energy and Zhejiang Ronggang

In November 23, 2012, the Group subsidiary enterprise CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics) and Zhejiang Ronggang Iron and steel co. LTD. (hereinafter referred to as "Zhejiang Ronggang ") signed the "agent procurement contract". The Complete Logistics as an agency to its designated supplier, Shanxi Energy General Company (hereinafter referred to as "Shanxi energy") purchased metallurgical coke according to the contract. On the same day, the Complete Logistics signed the coke purchase and sale contract with Shanxi Energy. The Complete Logistics paid the performance bond and advance payment to the Zhejiang Ronggang according to the contract, but Shanxi energy fails to deliver the goods after receiving the advance payment. In December 2013, Complete Logistics filed a lawsuit to the Yangpu court, requesting the court to order the termination of the contract for the purchase and sale of coke, and to return 32 million yuan for payment of goods and the loss of interest. In September 25, 2014, the court of Yangpu made a decision on the cancellation of the coke purchase and sale contract between the Complete Logistics and Shanxi Energy and the return of 32 million yuan and interest loss within ten days after the judgement come into force. Shanxi's Energy was appealed. In February 25, 2015, Shanghai second middle court ruled to withdraw the first instance decision made by the Yangpu court and sent it back to the Yangpu court for retrial. In March 16, 2016, the Yangpu court made a retrial of the first instance, ordered the two parties to cancel the contract, and Shanxi Energy returned 11.6 million to Complete Logistics and paid the loss of interest. The third party, Zhejiang Ronggang should return the payment of goods to Shanxi Energy and bear joint responsibility. In May 2016, the Complete Logistics applied enforcement.

#### 9.2.8 Dispute case between CSSC Complete Logistics and Wuxi Guomao

CSSC Complete Logistics and Wuxi Guomao signed "domestic materials purchase and sales

contract". During the period of performing the contract, due to the declined prices in the steel market, Wuxi Guomao did not pay and pick up the goods in time, but issued a "repayment commitment" in September 2015 and promised to pay 0.325 million yuan per month from October 2015 to September 2018. Meanwhile, Wuxi Guomao provided three coiling flatenning product lines and the supporting parts as collateral. Since October 2015, Wuxi Guomao did not pay in accordance with the "repayment commitment". On June 23, 2016, CSSC Complete Logistics filed a lawsuit to the People's Court of Shanghai Yangpu District, requested Wuxi Guomao to pay the amount of 12.8554 million yuan, while applied for property preservation of the mortgaged property. On 18 September 2017, CSSC Complete Logistics received the first-instance judgment from Yangpu Court, which upheld the lawsuit claims of CSSC Complete Logistics, requesting Wuxi Guomao to pay 12.8554 million yuan to CSSC Complete Logistics. On 24 October 2017, CSSC Complete Logistics applied for the compulsory execution to the Yangpu Court, and Yangpu Court had already accepted the case. The case is executed at present.

#### 9.2.9 Dispute case between CSSC Industrial Complete Logistics Co., Ltd and China Telecom Best Tone Information Co., Ltd

In June 26, 2015 and July 10th, the subsidiary of the group, CSSC Industrial Complete Logistics Co., Ltd (hereinafter referred to as Complete Logistics), signed two of "purchases and sales contract", respectively, with the contract price of 15,068,100 yuan and 14,151,000 yuan respectively. According to the contract, the goods will be transported to the designated place by the Complete Logistics, but the Best Tone does not pay the total amount of 29,219,100 yuan. In September 30, 2015, the Complete Logistics filed a lawsuit to Hongkou court, and three bank accounts of the Best Tone were filed property preservation. In December 2017, the case was transferred to Shanghai secondary court for promotion. At present, the case is under trial.

#### 9.2.10 Dispute case between CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd and Shanghai Shangyou Industry Group Co., Ltd.

##### Case1. Dispute case of sales contract

In December 4, 2014, the subsidiary enterprise of the group CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd (hereinafter referred to as Guangzhou Company) and Shanghai Shangyou Industry Group Co., Ltd. (hereinafter referred to as Shanghai Shangyou) signed a sales contract of billet, agreed that Guangzhou Company sales 12,000 tons of billet to Shanghai Shangyou, with the total contract amount of 31,345,900 yuan. Shanghai Wen Jin Industrial Co., Ltd. provides a set of office buildings of its own to provide collateral guarantee for Shanghai Shangyou. After signing the contract, Shanghai Shangyou paid the performance bond of 15% of the total contract amount to the



Guangzhou Company, and the Guangzhou Company delivered the goods according to the agreement. After receiving the goods, Shanghai Shangyou did not pay the remaining 85% of the goods to Guangzhou Company in accordance with the contract. In November 19, 2015, the Guangzhou Company filed a lawsuit against the Whampoa court of Guangzhou. In December 9, 2016, the court of first instance of Whampoa, Guangzhou decided that Shanghai Shangyou should pay 27.51 million yuan to Guangzhou Company. Wen Jin Company refused the result and appealed to the Guangzhou middle court. In July 21, 2017, the Guangzhou intermediate people's court ruled that the case was executed according to the original judgment. In September 29, 2017, the Guangzhou Company applied for enforcement in Whampoa court of Guangzhou. At present, the case is being carried out.

#### Case1. Dispute case of bills

In December 10, 2014, the Guangzhou Company, signed a sales contract of billet with Shanghai Shangyou, and agreed to sale 100,00 tons of billet to Shanghai Shangyou, with a contract amount of 26,568,300 yuan. After the contract was signed, Shanghai Shangyou paid part of the payment for goods to Guangzhou Company and issued two commercial acceptance bills to Guangzhou Company by endorsement. The total amount of the bill was 10 million yuan. The draft maturing day was April 8, 2016. The drawer was China Construction Sixth Engineering Bureau Civil Engineering Co., Ltd., and remote holder was the Liaoning Heise Metal Materials Co., Ltd.. In early April 2016, the Guangzhou Company was told to refuse payment when the two commercial acceptance bills were presented to the 6th Bureau as the acceptor for prompt payment. The Guangzhou Company brought a lawsuit to the Chongming court in Shanghai. In February 3, 2017, the court of Chongming, Shanghai, made a trial decision, and required China Construction Sixth Engineering Bureau Civil Engineering Co., Ltd. and the Shanghai Shangyou to pay 10 million yuan of bill, interest and litigation fee to Guangzhou Company. In September 26, 2017, the second intermediate people's Court of Shanghai made the judgement of second instance to maintain the first judgment.

#### 9.2.11 Lawsuit of CSSC Complete Logistics suing Dalian Xinkai and Dalian Deere

On April 9, May 13, June 1 of 2015, CSSC Complete Logistics signed three groups of "purchase contract" and "sales contract" with upstream suppliers, Dalian Xinkai Digital Co., Ltd. (hereinafter referred to Dalian Xinkai), and downstream customers, Dalian Deere Digital Co., Ltd. (hereinafter referred to as Dalian Deere), with the total purchase price of 2,841,585,000 yuan and the total sales price of 28.513 million yuan. Dalian Deere did not pay, neither picked up the goods after contracts signing. Once defaulted, CSSC Complete Logistics positively urged Dalian Deere to pay and pick up the goods, and Dalian Xinkai to fulfill the repurchase obligations, but all failed in the end. Then CSSC Complete Logistics disposed the fax machines through sale and tender auction to recover a

total amount of 11.8352 million yuan. CSSC Complete Logistics filed a lawsuit to the Yangpu court suing Dalian Xinkai and Dalian Deere as a common defendant, required for the loss of price difference of 7.84 million yuan and other loss. On Apr. 21, 2017, Yangpu Court made the first-instance judgement regarding the case, supporting the lawsuit claims of CSSC Complete Logistics, requesting Dalian Xinkai and Dalian Deere to pay jointly the loss of price spread of goods by 7.84 million yuan to CSSC Complete Logistics, and so on. CSSC Complete Logistics applied for execution on Oct. 11, 2017. The case is executed at present.

9.2.12 Dispute case between CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd and Yingkou Jin Rui Lian Industrial Co., Ltd

One subsidiary enterprise of the group, CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd signed 5 pieces of domestic materials sales contract with Yingkou Jin Rui Lian Industrial Co., Ltd respectively from March to November of 2014. The contract stipulate that after signing the contract, Jin Rui Lian pays 15% deposit to Guangzhou Company, and 90 days after, the company pays for the goods in batches. After the contract was signed, Jin Rui Lian paid the deposit according to the contract; Jin Rui made unauthorized lifting of the 21,430.42 tons of valve snails Guangzhou Company stored at the port of Yingkou port without paying the rest. In May 2015, the Guangzhou Company filed a lawsuit to Whampoa court of Guangzhou, demanding that Jin Rui Lian, Jin Tai Heng and JinGuan group repayed 48.65 million yuan to the Guangzhou Company. Through the mediation of the Whampoa court, the guarantor Jin Tai Heng company agreed to pay the Guangzhou Company about 48.23 million yuan before December 4, 2015. After the settlement, Jin Rui Lian Company and its guarantor Jin Tai Heng company still did not pay. In January 4, 2016, the Guangzhou Company applied for enforcement, requesting to auction the real estate item of Jin Tai Hang Company. The case is being executed at present.

9.2.13 Dispute case between CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd and Anhui Win-Win Regenerative Resources Group Co., Ltd

In July 24, 2013, the Guangzhou Company (abbreviation of CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd), a subsidiary company of the group, signed a purchase contract of ethylene glycol with the upstream supplier Xin He International Trade Co., Ltd. In Tianchang city (hereinafter referred to as "the Tianchang Xin He") with a contract amount of 20.94 million yuan, and a sale contract with the downstream customer Anhui Shuang Ying Regenerative Resources Group Co., Ltd. (hereinafter referred to as "Anhui Win-Win") with a contract amount of in 21 million yuan. Anhui Win-Win paid 21 million yuan to Guangzhou Company after signing the contract, and Guangzhou Company would deliver the goods to Anhui Win-Win in the form of

transferring right of cargo after receiving the bill of lading of the 3000 tons of ethylene glycol. In February 20, 2014, Anhui Win-Win filed a lawsuit to the Hefei intermediate people's Court that the Guangzhou Company did not deliver the goods on time. In November 21, 2014, the Hefei intermediate people's court made a first instance judgment, sentenced in which the Guangzhou Company returned 10.93 million yuan for payment for goods and 2.1 million yuan for breach of contract. The Guangzhou Company appealed against the first instance judgment to the Anhui high court. Under the auspices of the Anhui high court, the case was settled through mediation. At present, the case is being carried out.

9.2.14 Arbitration case of PSV (Platform auxiliary ship) of type PX121H between Shanghai Waigaoqiao Shipbuilding Co., Ltd and Singapore Pacific Crest Pte.Ltd

In December 2013, the group's subsidiary, Shanghai Waigaoqiao Shipbuilding Co., Ltd. (hereinafter referred to as the Waigaoqiao), signed two copies of shipbuilding contracts of 2 PSV (Platform auxiliary ship) of type PX121H with the Singapore Pacific Crest Pte.Ltd. The other party of the contracts changed from Pacific Crest Pte.Ltd to Singapore CA OFFSHORE INVESTMENT INC on May 8, 2014. In November 18, 2016, the shipowner, CA OFFSHORE INVESTMENT INC submitted arbitration to the Hongkong International Arbitration Center on the grounds that beyond the due date of abandonment stipulated in the contract, involving a total of about \$5.55 million for the 2 ships. The Waigaoqiao has authorized its agent to submit the reply and counterclaim to the arbitral tribunal, pointing that the owner's cancellation of the shipbuilding contract of the H1350 ship is in violation of the relevant provisions of the contract. Then the Waigaoqiao requires the shipowner to bear the corresponding losses resulting from the consequential damage to Shanghai Waigaoqiao Shipbuilding Marine Engineering Co., Ltd, pay the third phase of the shipbuilding contract of the H1351 ship, and bear the related losses of Shanghai Waigaoqiao Shipbuilding Marine Engineering Co., Ltd. At present, both sides have appointed arbitrators, but the final time has not yet been determined.

9.2.15 Arbitration case of self-elevating drilling platform (H1368) between Shanghai Waigaoqiao Shipbuilding Co., Ltd and Singapore ESSM Offore PTE.Ltd

In July 2013, the group's subsidiary enterprise Shanghai Waigaoqiao Shipbuilding Co., Ltd (hereinafter referred to as the Waigaoqiao) undertook the construction contract of new type CJ46 375 foot self-elevating drilling platform (JACKUP). In June 28, 2016, the shipowner sent a letter to Waigaoqiao to terminate the contract and asked for refund of the contract payment (10% of the contract price) and interest paid by the shipowner. In July 1, 2016, Waigaoqiao sent a formal reply to the shipowner, saying that the shipowner had no right to terminate the contract in June 28, 2016, and

it was a deliberate breach of contract. At present, the two parties have appointed arbitrators respectively, and are at the stage of arbitration application.

#### 9.2.16 CSSC Chengxi Shipbuilding Co., Ltd ——Arbitration case of main engine TVD of CX9702 in London

In June 12, 2010, the group's subsidiary, CSSC Chengxi Shipbuilding Co., Ltd (hereinafter referred to as CSSC Chengxi) and China Shipbuilding Trading Co., Ltd (hereinafter referred to as the Trade Company) as a joint seller, signed a 71,900 ton self-unloading ship (ship number: CX9702) construction contract with the Norway shipowner Torvald KLAIVENESS SHIPPING AS company.

In Nov. 10, 2010, the three parties signed a transfer agreement and agreed that KCL Shipping AS became the buyer (incorporated into the Torvald Klaveness Shipping AS in Norway now). The ship has been delivered on March 22, 2013. In March 14, 2014, CSSC Chengxi received the GCR243 guarantee slip submitted by the Norway shipowner Torvald Klaveness Shipping AS, reflecting the problem of "main engine axial vibration detection alarming +3.07mm ". CSSC Chengxi fed back to the supplier DOOSAN, and DOOSAN replied that "the alarm was as short as 4 seconds and has nothing to do with the shock absorber (TVD)". From May 2014 to April 2016, CSSC Chengxi has been keeping in touch with shipowners and DOOSAN about the cause of damage of TVD, detection and correlation analysis. DOOSAN believes that the malfunction of the TVD is caused by the owner's misuse, and rejected the owner's compensation requirements. In July 18, 2016, Torvald Klaveness Shipping AS applied for arbitration, claiming that the host torsional vibration absorber (TVD) had a defect, which is caused by a problem in the "low-voltage alarm setting", or the "low-voltage alarm" device itself because of defection in the material. The shipyard is required to undertake the liability of warranty and to compensate expenses for the inspection, transportation, the loss of changing TVD and other losses and expenses, which are resulted from the defect, amounting to about \$2,475,872.63. In response, DOOSAN rebutted that the malfunction of TVD was caused by own reasons of the owner (eg. multiple outage blackouts). At present, the arbitral tribunal has not yet decided.

#### 9.2.17 Dispute case between CSSC Huangpu Wenchong Co., Ltd and KC Marine Limited

On November 18, 2013, the level four entity CSSC Huangpu Wenchong Co., Ltd. (hereinafter referred to as Huangpu Wenchong) signed contract with four single- ship companies owned by KC Maritime Limited (hereinafter referred to as KCM) to build four 64,000 ton bulk carriers (ship number were H3067, H3068, H3069, H3070). Because the both sides have dispute on delivery of these two ships (H3067, H3068), Huangpu Wenchong brought arbitration to the London Maritime Arbitration Tribunal on January 29, 2016 and June 14, 2016, and the owners of these two ships also

filed a countersuit. The amount involved was approximately \$ 19 million and its corresponding interests. The case is still pending by now.

#### 9.2.18 Case of Lawsuit of CSSC Offshore and Marine Engineering suing Jiangsu Shenghua

On December 31, 2010, CSSC Offshore and Marine Engineering and the level forth unit Guangzhou Guangli Shipbuilding Human Resource Service Company Limited (hereafter referred to as Guangli Company) filed four lawsuits to the Intermediate People's Court of Zhenjiang, Jiangsu Province (hereafter referred to as "Zhenjiang Intermediate Court"). The lawsuits are case of CSSC Offshore and Marine Engineering suing Jiangsu Shenghua Shipbuilding Co., Ltd (hereafter referred to as "Jiangsu Shenghua") to return of assets, a dispute case of a technical service contract, and the dispute cases that Guangli Company sued Jiangsu Shenghua about the 'Installation engineering project contract' of 79,600 tons bulk cargo freighters #1 and #2. CSSC Offshore and Marine Engineering and Guangli Company requested that: A. ①Jiangsu Shenghua should eliminate the obstruction, and instantly return the production equipment, instruments, and materials stored in the plant of Jiangsu Shenghua which were belonged to CSSC Offshore and Marine Engineering. ② Jiangsu Shenghua should bear the responsibility of compensation on the spoilage and loss of the aforementioned production equipment, instruments, and materials; B. Jiangsu Shenghua should pay the technology service fee and the corresponding interest of 2.4 million yuan and bear the liquidated damages at the amount of 2.4 million yuan; C. Jiangsu Shenghua should liquidate the engineering project payment, damages from breach of contract and awaiting time losses in arrears to Guangli Company at the total amount of RMB 50.2817 million yuan (including: 1# ship 26.8760 million yuan and 2# ship 23.4057 million yuan). On June 4, 2013, the case of the Company suing Jiangsu Shenghua to return of assets was mediated by Wuhan Maritime Court, and Jiangsu Shenghua already returned all the equipments and materials.

After the aforementioned three other cases were mediated by Wuhan Maritime Court, the Company applied for the compulsory execution to the court. The assessment of the seized assets was completed by the evaluation institutions entrusted by the execution court. The court already announced the objection notices of the delivery of assessment report and the completion of assessment report. On June 4, 2013 and August 8, 2013, the court conducted two auctions on the seized equipments and materials belonged to Jiangsu Shenghua, and both the auctions were aborted. CSSC Offshore and Marine Engineering formally rendered the application of fulfilling the obligations by property to the court on August 19, 2013. In the compulsory execution process of the case, Zhejiang Nantian Posts and Telecommunications Technology Co., Ltd (hereafter referred to as "Zhejiang Nantian"), as one of the main creditors of Jiangsu Shenghua, sued Jiangsu Shenghua,

Guangli Company and the Company as the defendants to Wuhan Maritime Court and requested the court to recognize that Zhejiang Nantian shall be entitled to the priority right to be repaid regarding the resources and materials of Jiangsu Shenghua including the 300T crane, and to stop the execution on the 300T crane, or if the cranes were to be executed, the consideration received should be used to repay the creditor's right of Zhejiang Nantian to Jiangsu Shenghua in priority. Previously, Zhejiang Nantian had made an objection to the court with the same reason on May 22, 2013 and was rejected by the ruling of the court. The case was held a hearing on November 20, 2013. On December 10, 2013, Wuhan Maritime Court made the first-instance judgment on the case of Zhejiang Nantian (2013 Wuhaifa Shangzi No. 01328 Civil Judgement), and identified that the Company and Guangli Company enjoyed the right to the mortgages on the mortgage properties of Jiangsu Shenghua. The priority of the creditor's rights to be repaid is prior to Zhejiang Nantian. The court objected the claims of Zhejiang Nantian. On January 3, 2014, the Company received the appellate petition of Zhejiang Nantian sent by Wuhan Maritime Court. Zhejiang Nantian already sued to Hubei Provincial High Court, and requested to cancel the aforementioned judgment of Wuhan Maritime Court and to recognize that Zhejiang Nantian were entitled to the priority right to be repaid prior to Guangli Company regarding the 300T crane of Jiangsu Shenghua. The Company and Guangli Company are under the communication with the court and apply to the court to continue to perform the case of Shenghua. On June 20, 2014, the Company had applied to the court to resume the execution.

In November 2014, the Company received the notice from the implementation judge of Wuhan Maritime Court, stating that Jiangsu Shenghua was adjudicated to be bankruptcy by Zhenjiang Intermediate Court in the end of October. All the cases under execution were suspended of execution. All the creditors should file the creditor's rights with Zhenjiang Intermediate Court. Now the Company and Guangli Company have completed the statistics on the breakdown of bankruptcy claims and the submission of claims data to the liquidation group. On March 20, 2015, the Company participated in the first meetings of creditors of Jiangsu Shenghua. The meeting of creditors conducted the recognition on the current situation of the creditor's rights and debts of Jiangsu Shenghua, and implemented the vote on the subsequent plan on sale of the bankruptcy properties. Nonetheless, the largest creditor was against the plan for sale on conversion, resulted that the meeting did not pass the conversion scheme of the properties. Because the asset appraisal on the real estate and land owned by Shenghua Company has not been completed yet, the meeting of creditors will be held again after the appraisal is completed and a new conversion scheme on sale is created. On 27 April 2017, the Company participated in the second meeting of bankruptcy creditors, and on

May 17, the Company received the ruling from Zhenjiang Intermediate Court, which recognized Jiangsu Shenghua's plan on sale of the bankruptcy properties. The appraisal on the values of the real estate, land and outbuildings, machines and equipment owned by Jiangsu Shenghua has been completed, while the appraisal on the cranes under construction is still pending, the next step is that the property manager will conduct a auction by the way of the conversion on sale on the whole.

9.2.19 Lawsuit of CSSC Guangzhou Longxue Shipbuilding Co., Ltd and CSSC (Guangzhou) International Co., Ltd suing Shandong Qingyun Heavylifting Machinery Co., Ltd

The level three entity CSSC (Guangzhou) International Co., Ltd (hereafter referred to as CSSC (Guangzhou) International, as the original CSSC Guangzhou Longxue Shipbuilding Co., Ltd renamed) and CSSC Guangzhou Longxue Construction Development Co., Ltd (hereafter referred to as Longxue Construction) requested that Shandong Qingyun Heavylifting Machinery Co., Ltd and Shandong Tianjiang Heavy Industry Science and Technology Group Co., Ltd return the payment of goods at RMB 44.4965 million and the related interests (calculated according to the lending rates of the People's Bank of China over the same period, from July 29, 2009 to the date when the judgement went effective) and should also continue to complete the delivery obligations under the project contract of the 9 cranes which were delivered to Longxue Island in Nansha District, Guangzhou in accordance with the promise, as well as assuming the case acceptance fee of RMB 283,696 and the property preservation fee of RMB 5,000. The first instance verdict of Ji'nan Intermediate People's Court completely supports the claims of CSSC (Guangzhou) International. The defendant appealed. However, due to the failure to pay the legal fees, such appeal has been automatically withdrawn. The case is now being enforced by the court. Ji'nan Intermediate People's Court of separately conducted two formal auctions on May 21, 2013 and August 12, 2013 regarding the seventeen crane structural parts and accessories which were valued at RMB 15.96 million which was determined by appraisal. The two auctions were all aborted because no one participated in the auctions to buy. On December 12, 2013, the court sent the decision that the case should be performed by the People's Court of Shanghe County to the attorney agents of CSSC (Guangzhou) International, an action which brought relatively significant inconvenience and resistance to the subsequent performance of the case. After CSSC (Guangzhou) International submitted a written objection and the complaint materials and conducted multiple communications, Ji'nan Intermediate People's Court issued the execution ruling on April 29, 2014, leveling up the implementation of the case to be conducted by the Ji'nan Intermediate Court.

After assigned a new implementation judge, the related staff of CSSC (Guangzhou) International, the attorney agents and the implementation judge went to Tianjiang Company to conduct an

investigation on the properties which were to be performed on June 12, 2014. On June 27, 2014, CSSC (Guangzhou) International submitted the second phase written evaluation of land and real estate and the auction application to the implementation judge. On July 29, 2014, the court determined the attestation institute through a lottery system. On January 22, 2015, upon receipt of the evaluation report from the evaluating company, CSSC (Guangzhou) International raised the application to conduct an auction on the land and real estate of Tianjiang Company and Qingyun Company.

On April 7, 2015, Ji'nan Intermediate People's Court delegated Shangdong Jiahe International Auction Co., Ltd and Shangdong Peifeng Auction and Tender Co., Ltd to conduct public auction on the land use rights (including the property on the ground) of the individual and private park located in Yangliu Town, Xintai City under the name of Shandong Qingyun Heavylifting Machinery Co., Ltd and the land use rights (including the property on the ground, equipment and trees) located in Keyuan Road, Economic Development Zone of Shanghe County under the name of Shandong Tianjiang Heavy Industry Science and Technology Group Co., Ltd. Because no one bid, the auctions went unsold. After the failure of the auctions, CSSC (Guangzhou) International immediately applied to the court to let itself accept such aforementioned properties to offset partial debts according to the reserve price determined by the auction. On April 8, 2015, Ji'nan Intermediate People's Court issued the execution ruling, adjudicating that the land use rights and the property on the ground of Shandong Qingyun Heavylifting Machinery Co., Ltd and the land use rights (including the property on the ground, equipment and trees) shall to be delivered CSSC (Guangzhou) International to offset for a portion of the debts for the pricing of RMB 35.105956 million. On June 9, 2015, CSSC (Guangzhou) International received the ruling of the end of this implementation procedure from Ji'nan Intermediate People's Court, indicating that the resumption of execution can be applied for when new property clues are discovered. December 2015 Qingyun case implementation project coordination group on the day of the company's real estate (the court ruled for the company all) to inviting the way in the local spot to deal with cash 98,000 yuan, has been recognized by the CSSC (Guangzhou) International Finance account.

By the end of 31 December, 2017, CSSC (Guangzhou) International has no results with regards to the disposal of pledged assets.

9.2.20. Contract disputes of construction projects among CSSC Technology Co., Ltd., Beijing Zhongguancun and Beijing Zhongguancun Xinjiang branch.

CSSC Technology, a subsidiary of the group has submitted a petition to the higher people's Court of Xinjiang recently, asking Beijing Zhongguancun for a total payment of 90,502,200 yuan for the



project. In June 30, 2011, CSSC Technology signed “the construction contract for the construction project”, and agreed to undertake the steel construction and installation part of the whole project. The steel structure of the project has been checked between June and August in 2013, and the conclusion is qualified. The company submitted the completion settlement report and complete settlement data to the defendant on 18 January 2015. The construction project management center of the Urumqi economic and Technological Development Zone, the construction party of the item, also entrusted the professional cost consulting company to examine the project, but Beijing Zhongguancun rolled over with various reasons. The steel structure is not settled until now. Because the total project settlement is 104,172,200 yuan, and RMB 13,670,000 yuan was paid to the plaintiff, a total of 90,502,200 yuan debts was owned.

The case is still in the stage of submission of information and has not been formally filed.

#### 9.2.21 Contract dispute case between CSSC Technology Co., Ltd. and Wuxi Haiyuan Heavy Industry Co., Ltd

In November 2011, after signing a processing contract with Wuxi Haiyuan, CSSC Technology, a subsidiary of the group has fully fulfilled the contractual obligations and completed the warranty, but Wuxi Haiyuan failed to pay the contract agreement on time. In May 18, 2015, CSSC Technology brought a lawsuit to the people's court in Rugao city, Wuxi, which required the Wuxi Haiyuan to pay 9,932,860 yuan for the remaining payment and 1,681,100 yuan for the loss of interest. In August 27, 2015, Haiyuan agreed to pay 5,492,900 yuan to the company in four phases through court mediation. But Wuxi Haiyuan paid only 1 million yuan in the form of commercial draft and did not pay the rest. In November 2017, CSSC Technology applied for enforcement.

#### 9.2.22. Dispute case of contract between CSSC Technology Co., Ltd. and Shanghai Rainbow Investment Crop

One of the subsidiary companies of the group, CSSC Technology Co., Ltd applied for arbitration to the Shanghai Arbitration Commission in July 13, 2017. In January 2009, CSSC Technology and Shanghai Rainbow signed the “Bid I section of steel structure production of Shanghai Hongqiao comprehensive transportation hub rapid and distributed system engineering (south section) contract”. In February 2015, the project was completed and accepted, but Shanghai Rainbow has been delayed in settlement of the outstanding premium. CSSC Technology applied arbitration to the Arbitration Commission, requesting Shanghai Rainbow to pay the guarantee fee, liquidated damages, arbitration fees and lawyer fees immediately, which are totaling 9,215,523.57 yuan. The arbitration tribunal was heard in September 26, 2017. The case has not been decided at the moment.

#### 9.3 Contingent liabilities arising from other matters of the group this year

In January 1999, Shanghai Shipping Industry Company invested Shanghai Shipping Enterprise Development Co., Ltd in physical assets, the 10th and 14th-16th floors of the ship building, as the amount of 38 million yuan, and the proportion of capital contributed 95%. Shanghai Shipping Enterprise Development obtained the Hu Fang Di Yang Zi 1999 No.05389 real estate warrant in March 18, 1999.

After the establishment of China State Shipbuilding Corporation Co., Ltd., according to the needs of organization structuring and work arrangement, Shanghai Shipping Enterprise Development Co., Ltd is still taken as a regional firm, not be setten up separately.

In April 2000, Shanghai Shipping Industry Company proposed to apply for the change of property rights. Shanghai Shipping Enterprise Development Co., Ltd changed oblige of the above four storeys to Shanghai Shipping Industry Company. The changed property right certificate number is No. 065964 of Hu Fang Di Yang Zi 2000. The property right changing of above four storeys is essentially a real estate transaction behavior, thus the related taxes and fees arising from the transaction need to be paid. But one of the trading sides, Shanghai Shipping Enterprise Development Co., Ltd has applied for the cancellation in Industry and Commerce Bureau and Tax Bureau in August 2000, therefore Shanghai Shipping Industry Company has objection to the taxes and charges that the tax authorities require. The matter is still in further communication, and the company has already raised 11,747,000 yuan as contingent liabilities (including increment tax on land value by 2,783,600 yuan, corporate income tax by 4 ,175, 500 yuan, business tax by3, 117 ,700 yuan and contract tax by 1 ,670 ,200 yuan).

In addition to the above contingencies, there are no other significant contingencies as at the balance sheet day.

## 10. Commitments

### 10.1 Significant Commitments

#### 10.1.1 Mortgage or pledge of assets

The group's fixed time deposit, bill receivable, inventories, fixed assets and so on, which used for pledge in the current year, refer to Note 8.72 the assets restricted by the ownership and the right to use.

#### 10.1.2 Other Significant Financial Commitments

10.1.2.1 The details of the forward foreign exchange contracts which the Company has signed, but not delivered this year

By the end of the year, the transactional amount of the forward foreign exchange contracts which the subsidiaries of the Group have signed but not delivered is \$474,100,000.00, including:

Item	Currency	Amount	Remark
Forward foreign exchange settlement due in 2018	USD	417,500,000.00	Note
Forward foreign exchange settlement due in 2019	USD	47,100,000.00	
Forward foreign exchange settlement due in 2020	USD	9,500,000.00	
<b>Total</b>	<b>USD</b>	<b>474,100,000.00</b>	

Note: The Group's forward settlement products are divided into ordinary forward contracts and structured products. Ordinary long-term products are delivered at the exchange rate on the closing date. The trading rules for structured long-term product are: 1) If the reference price observed on the due date is less than or equal to the execution exchange rate, it will be delivered on the delivery date with the locked amount; 2) If the reference price observed on the maturity date exceeded the execution exchange rate, it will be delivered on the delivery date with the the opening amount.

10.1.2.2 By the end of the year, the amount of the non-financing performance guarantee which the subsidiaries of the Group have issued but not expired is USD 830,190,645.20, RMB 2,107,837,729, and MOP51, 22,594,400.00.

10.1.2.3 By the end of the year, the amount of letter of credit which the subsidiaries of the Group have issued but not expired is USD 28,864,873.13, RMB13, 319,787.05, EUR 50,355,834.09 and NOK8, 953,776.20.

#### 10.2 Performances on the commitments of prior periods

For the financial commitments such as the repayment of pledged loans and the forward contracts, the Group can execute all the commitments in accordance with the contracts.

Except for the aforementioned commitment matters, by the end of the year, the Group does not have other significant commitment matters.

#### 11. Post balance sheet events

##### 11.1 The pre-proposal of issuing shares to purchase assets

On 26 February 2018, the 28th meeting of the 6th session of the board of directors of China CSSC Holdings Limited (Hereinafter referred to as the CSSC) reviewed and approved the “As to the pre-proposal on the Company’s compliance with the conditions for issuing shares to purchase assets”, planning to purchase 36.27% of the shares of Waigaoqiao Shipbuilding and 12.09% of the shares of CSSC Chengxi which is held by eight investors, including Huarong Ruitong, through the issuance of shares.

##### 11.2 The details of profit distribution

In March 29, 2018, CSSC Offshore and Marine Engineering (Group) Co., Ltd (hereinafter referred to as CSSC Offshore and Marine) approved the board meeting motion, in which the company determined no dividends paid, nor the implementation of the capital reserve transferred to the capital stock in 2017. This profit distribution plan can only be implemented after approval by the annual

general meeting of shareholders in 2017.

In April 18, 2018, Cssc Science & Technology Co., Ltd (hereinafter referred to as Cssc Science & Technology) approved the resolution of the board meeting, in which the company determined no dividends paid, nor the implementation of the capital reserve transferred to the capital stock in 2017. This profit distribution plan can only be implemented after approval by the annual general meeting of shareholders in 2017.

### 11.3 The details of the Subsidiary's increasing the capital

According to the proposal on the capital increase of Guangzhou Shipyard International Co., Ltd and the proposal on the capital increase of Huangpu Wenchong Shipping Co., Ltd, passed by the resolution of the first extraordinary general meeting of the Company in 2018, held on 12 February 2018, the subsidiary Guangzhou Shipyard International and Huangpu Wenchong plan to introduce new shareholders to implement market-oriented debt-to-equity and increase cash inflows.

8 new shareholders, Zhongyuan Asset Management Co., Ltd.(hereinafter referred to as “Zhongyuan Assets”), New China Life Insurance Co., Ltd (hereinafter referred to as “New China insurance”), and China Structural Reform Fund Corporation limited (hereinafter referred to as the "structural adjustment fund"), China Pacific Property Insurance Co., Ltd (hereinafter referred to as “Pacific Insurance”), China Life Insurance Company Limited (hereinafter referred to as “China Life Insurance”), PICC Property and Casualty Company Limited(hereinafter referred to as "PICC P&C"), ICBC Financial Asset Investment Co., Ltd (hereinafter referred to as “ICBC Investment”) and Beijing Dongfu Tianheng Investment Center (Limited Partnership), increased the capital with the total amount of RMB 2.4 billion through the “Debt Rights Directly Converted to Equity Rights” and “Cash Increment”, and the Company will not participate in this capital increase. By the end of the report date, Guangzhou Shipyard International had actually received a total of RMB 2.4 billion in capital contributions from new shareholders, and increased its registered capital by RMB 2,017,610,984.00. The ratio of the company's contribution to Guangzhou Shipyard International changed from 100% to 76.4214%.

Huangpu Wenchong increased the capital through the introduction of Huarong Ruitong Equity Investment Management Co., Ltd (hereinafter referred to as “Huarong Ruitong”) , Xinhua Insurance, Structure Adjustment Fund, Taibao P&C Insurance, China Life Insurance, People's Insurance Property and Casualty, ICBC Investment and Dongfu Tianheng eight new shareholders, through the “Debt Rights Directly Converted to Equity Rights” and “Cash Increment”, with the total amount of RMB 2.4 billion, and the Company will not participate in this capital increase. By the end of the report date, Huangpu Wenchong had actually received a total of RMB 2.4 billion in capital

contributions from new shareholders, and increased its registered capital by RMB 886,099,154.00. The ratio of the company's contribution to Guangzhou Shipyard International changed from 100% to 69.0164%.

#### 11.4 Transfer of subsidiary shares

On 26 January 2018, the 25th meeting of the 6th session of the board of directors of the Company reviewed and approved the “As to the pre-proposal of wholly-owned subsidiary Shanghai Waigaoqiao Shipbuilding Co., Ltd, publicly transferring 26% of the equity of CSSC Shenghui”, the subsidiary Waigaoqiao Shipbuilding will hold 26% of the equity of CSSC Shenghui, with the consideration of RMB 71.76 million, and will be publicly listed and transferred on the Shanghai United Property Ownership Exchange. There exists a certain degree of uncertainty in the trading results, and the transaction price will be based on the final delisting price. By the end of 28 February 2018, the transaction has not been completed.

### 12. Related parties and transactions

#### 12.1 Subsidiaries of the Company

Details of subsidiaries refer to Note 7.1 The basic situation of the secondary subsidiaries incorporated in the consolidated statements.

#### 12.2 Joint ventures and associates of the Company

Details of Significant joint ventures and associates of the group refer to Note 8.15 Long term equity investment.

#### 12.3 Other related parties

Name	Relationship
Jiangsu Deruisi Huahai Ship Equipment Co., Ltd	A subsidiary of joint ventures and associates
Jiujiang CSSC instrument co. LTD	A subsidiary of joint ventures and associates
Raoping Haihuang food company	A subsidiary of joint ventures and associates
Shanghai Deruisi Huahai Ship Equipment Co., Ltd.	A subsidiary of joint ventures and associates
Shanghai TTS Huahai International Trade Co.,Ltd	A subsidiary of joint ventures and associates
Shanghai Donghua Economic Development Co., Ltd	A subsidiary of joint ventures and associates
Shanghai Dongxuan Technology Development Co.,Ltd.	A subsidiary of joint ventures and associates
Shanghai Huchuan Engineering Industry Co.,Ltd.	A subsidiary of joint ventures and associates
Shanghai Huchuan Yokomori Steel Structure Co., Ltd	A subsidiary of joint ventures and associates
Shanghai Jiuxin Investment Development Co., Ltd	A subsidiary of joint ventures and associates
Shanghai Zhen Nan Engineering Supervision Co., Ltd	A subsidiary of joint ventures and associates
Xuzhou Longjia Property Co., Ltd.	A subsidiary of joint ventures and associates
Jiangsu Deruisi Huahai Ship Equipment Co., Ltd	A subsidiary of joint ventures and associates

## 12.4 Transactions with related parties

### 12.4.1 Purchase of goods/receipt of services

Name	Type	Contents	Year ended 31/12/2017		
			Amount	Pct. of the same type transactions (%)	Pricing mode and determination process
Shanghai Huchuan New Business Development Co., Ltd.	Purchase of goods	Office equipment	27,186,705.90	0.01	Specified in the contract
Shanghai Huarun Dadong Ship Engineering Co. Ltd.	Purchase of goods	Accessories	21,596,187.24	0.01	Specified in the contract
Shanghai Donghua Education Investment Management Co., Ltd	Purchase of goods	Training fee	17,745,007.46	0.01	Specified in the contract
Shanghai Deruisi Huahai Ship Equipment Co., Ltd.	Purchase of goods	Material purchase	4,068,374.08	0.00	Specified in the contract
Jiujiang CSSC instrument co. LTD	Purchase of goods	Marine supporting	427,500.00	0.00	Specified in the contract
<b>Total</b>			<b>71,150,733.89</b>	<b>0.04</b>	

### 12.4.2 Rendering of services

Name	Type	Contents	Year ended 31/12/2017		
			Amount	Pct. of the same type transactions (%)	Pricing mode and determination process
Shanghai Jiuxin Investment Development Co., Ltd	Rendering of services	Contract, survey, design and consultation	45,139,438.97	0.02	Specified in the contract
Xuzhou Longjia Property Co., Ltd.	Rendering of services	Contract, survey, design and consultation	6,546,779.24	0.00	Specified in the contract
Shanghai Zhen Nan Engineering Supervision Co., Ltd	Rendering of services	Supervision fee	2,062,951.83	0.00	Specified in the contract
Xuzhou CSSC Sunshine Investment Development Co., Ltd.	Rendering of services	Contract, survey, design and consultation	1,412,163.40	0.00	Specified in the contract
Shanghai Huarun Dadong Ship Engineering Co. Ltd.	Rendering of services	Construction cost, cost of labor	16,094,039.00	0.01	Specified in the contract
Shanghai Huchuan New Business Development Co., Ltd.	Rendering of services	Rent, kinetic energy cost	2,583,668.72	0.00	Specified in the contract
Shanghai Donghua Education Investment Management Co., Ltd	Rendering of services	Rent, kinetic energy cost	2,449,977.39	0.00	Specified in the contract
Shanghai Green Valley Hudong Hospital Management Co. Ltd.	Rendering of services	Kinetic energy cost	34,604.53	0.00	Specified in the contract
<b>Total</b>			<b>83,261,656.10</b>	<b>0.04</b>	

#### 12.4.3 Sales of goods

Name	Type	Contents	Year ended 31/12/2017		
			Amount	Pct. of the same type transactions (%)	Pricing mode and determination process
Shanghai Deruisi Huahai Ship Equipment Co., Ltd.	Sales of goods	Steel structure	28,198,245.98	0.01	Specified in the contract
Shanghai TTS Huahai International Trade Co., Ltd.	Sales of goods	Steel structure	18,250,920.09	0.01	Specified in the contract
<b>Total</b>			<b>46,449,166.07</b>	<b>0.02</b>	

#### 12.4.4 Lease with related parties

Lesser	Lessee	Type of leased assets	The amount of leased assets	Start date	Maturity date	Rental income	Determination basis of rental income	Impact of rental income on the company
CSSC Power Reserch Institute Co., Ltd	CSSC Wärtsilä Engine (Shanghai) Co., Ltd	Houses and buildings	117,143,105.32	2017/4/1	2037/4/1	17,778,445.93	Specified in the contract	17,778,445.93
CSSC Power Reserch Institute Co., Ltd	CSSC Wärtsilä Engine (Shanghai) Co., Ltd	Circuit equipment		2016/11/1	2017/2/28	224,206.85	Specified in the contract	224,206.85

#### 12.4.5 Financing activities with related parties

Name of related party	Amount	Start date	Maturity date	Remark
Loans:				
Xuzhou CSSC Sunshine Investment Development Co., Ltd.	400,000,000.00	2017/1/10	2021/10/18	Entrusted loans

#### 12.5 Receivables from and payables to related parties

##### 12.5.1 Receivables due from related parties

Unit: RMB 0,000

Account name	Related party	Balance as at 31/12/2017		Balance as at 1/1/2017	
		Book balance	Allowance for doubtful debts	Book balance	Allowance for doubtful debts
<b>Notes receivable:</b>					
	Shanghai Zhen Nan Engineering Supervision Co., Ltd	60.00			
	Shanghai Huarun Dadong Ship Engineering Co. Ltd.	15.85		135.23	
<b>Accounts receivable:</b>					

Account name	Related party	Balance as at 31/12/2017		Balance as at 1/1/2017	
		Book balance	Allowance for doubtful debts	Book balance	Allowance for doubtful debts
	Shanghai Deruisi Huahai Ship Equipment Co., Ltd.	2,614.35		3,758.75	
	Shanghai Jiuxin Investment Development Co., Ltd.	2,065.99		638.11	
	Shanghai Huarun Dadong Ship Engineering Co. Ltd.	365.19		1.69	
	Shanghai TTS Huahai International Trade Co., Ltd.	296.18		0.84	
	CSSC Real Estate Co., Ltd.	46.00			
	Shanghai Zhen Nan Engineering Supervision Co., Ltd.	21.54			
	CSSC Jiai cruise technology development (Shanghai) Co., Ltd.	4.00			
	Shanghai Green Valley Hudong Hospital Management Co. Ltd.	0.70			
<b>Prepaid accounts:</b>					
	Shanghai Deruisi Huahai Ship Equipment Co., Ltd.	524.00		1,048.00	
	Shanghai Huarun Dadong Ship Engineering Co. Ltd.	1,500.00			
<b>Other receivables:</b>					
	CSSC Real Estate Co., Ltd.	174.01			
	Shanghai Huchuan Yokomori Steel Structure Co., Ltd.	111.15			
	Shanghai Huarun Dadong Ship Engineering Co. Ltd.	40.00		40.00	
	Shanghai Zhen Nan Engineering Supervision Co., Ltd.	5.47			
	Shanghai Jiuxin Investment Development Co., Ltd.			106.60	
	Raoping Haihuang food company			5.40	
<b>Other current assets:</b>					
	Xuzhou CSSC Sunshine Investment Development Co., Ltd.	60,000.00			
<b>Long term receivables:</b>					
	Shanghai Qianshou Real Estate Co., Ltd.			3174.25	

#### 12.5.2 Payables due to related parties

Unit: RMB 0,000

Account name	Related party	Balance as at 31/12/2017	Balance as at 1/1/2017
<b>Notes payable:</b>			
	Shanghai Deruisi Huahai Ship Equipment Co., Ltd.		723.51
<b>Accounts payable:</b>			
	Shanghai Huchuan New Business Development Co., Ltd.	1,161.64	
	Shanghai Deruisi Huahai Ship Equipment Co., Ltd.	459.63	



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Account name	Related party	Balance as at 31/12/2017	Balance as at 1/1/2017
	Shanghai Zhen Nan Engineering Supervision Co., Ltd	146.11	
	Shanghai Huarun Dadong Ship Engineering Co. Ltd.	105.07	
	Shanghai Donghua Education Investment Management Co., Ltd	58.88	77.13
	Jiangyin Hualxin Corrosion Control Co., Ltd	35.00	1,882.96
	Jiangsu Deruisi Huahai Ship Equipment Co., Ltd	13.18	70.83
	Shanghai TTS Huahai International Trade Co., Ltd	9.00	
	Shanghai Donghua Economic Development Co., Ltd		69.78
<b>Deposit received</b>			
	Shanghai Deruisi Huahai Ship Equipment Co., Ltd.		995.43
<b>Other payments should be made:</b>			
	Shanghai Huchuan Engineering Industry Co., Ltd.	1,150.00	1,150.00
	CSSC Wärtsilä Engine (Shanghai) Co., Ltd	2,370.46	
	Shanghai Dongxuan Technology Development Co., Ltd.	558.19	561.08
	Jiangyin Hualxin Corrosion Control Co., Ltd	1.03	0.77
	Shanghai Donghua Economic Development Co., Ltd		50.63
	Shanghai Huchuan New Business Development Co., Ltd.		33.96
	TTS-SCM Marine and Offshore Machinery Co., Ltd		9.55

13. Notes to the financial statements of the Company

13.1 Other receivables

Category	As at 31/12/2017			
	Book balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	8,069,775,302.44	100.00	3,799,712.80	0.05
Including: Other accounts receivable of the related party	7,673,167,597.16	95.08	0.00	0.00
Other receivable generally to be collected	392,807,992.48	4.87	0.00	0.00
Aging portfolios	3,799,712.80	0.05	3,799,712.80	100.00
Individually insignificant but allowance for doubtful debts individually				
<b>Total</b>	<b>8,069,775,302.44</b>	<b>—</b>	<b>3,799,712.80</b>	<b>—</b>

(Continued)

Category	As at 1/1/2017			
	Book balance		Allowance for doubtful debts	
	Amount	PCT (%)	Amount	PCT (%)
Individually significant and subject to separate allowance				
Allowance for doubtful debts on portfolio	5,753,289,434.30	100.00	3,799,712.80	0.07
Including: Other accounts receivable of the related party	5,628,213,126.62	97.82	0.00	0.00
Other receivable generally to be collected	121,276,594.88	2.11	0.00	0.00
Aging portfolios	3,799,712.80	0.07	3,799,712.80	100.00
Individually insignificant but allowance for doubtful debts individually				
<b>Total</b>	<b>5,753,289,434.30</b>	<b>—</b>	<b>3,799,712.80</b>	<b>—</b>

### 13.1.1 Allowance for doubtful debts on portfolio

#### 13.1.1.1 Other accounts receivable of the related party

Related party	As at 31/12/2017	
	Book balance	Allowance for doubtful debts
Jiangnan Shipyard (Group) Co., Ltd	2,470,850,000.00	
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	1,234,000,000.00	
CSSC Huangpu Wenchong Shipping Co., Ltd.	755,850,000.00	
Guangzhou Shipyard International Co., Ltd.	728,640,000.00	
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	433,900,000.00	
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	350,000,000.00	
China State Shipbuilding Industry Systems Research Institute	280,240,000.00	
CSSC Offshore and Marine Engineering (Group) Co., Ltd	274,800,000.00	
CSSC Chengxi Shipbuilding Co. Ltd.	185,858,604.77	
China CSSC Holdings Limited	179,022,506.29	
Hualian Shipyard Co., Ltd	159,385,084.34	
Haiying Enterprise Group Co., Ltd.	148,470,000.00	
CSSC Power Co., Ltd	72,500,000.00	
Jiujiang Precision Testing Technology Research Institute	69,000,000.00	
Shanghai Hu Lin Heavy Industry Co., Ltd.	60,230,000.00	
CSSC Southern China Marine Machinery Co., Ltd	60,000,000.00	
CSSC Technology Co., Ltd.	39,947,800.00	
China Shipbuilding Trading Co., Ltd	38,267,973.36	

Related party	As at 31/12/2017	
	Book balance	Allowance for doubtful debts
Nanjing CSSC Lvzhou Machinery Co., Ltd	30,500,000.00	
Anqing CSSC Diesel Engine Co., Ltd.	26,900,000.00	
China Shipbuilding and Marine Engineering Design and Research Institute	26,420,000.00	
CSSC Shanghai Shipbuilding Industry Co., Ltd	15,153,330.21	
The Ninth Design and Research Institute of China Shipbuilding Engineering Co., Ltd	11,520,000.00	
Jiangxi Chaoyang Machinery Factory	7,000,000.00	
CSSC Navigation Technology Co., Ltd.	7,000,000.00	
China Shipbuilding Industry Bureau of Retired Officials	6,763,140.35	
China Shipbuilding Industry Government Service Center	488,537.00	
CSSC Finance Co., Ltd	460,620.84	
<b>Total</b>	<b>7,673,167,597.16</b>	

13.1.1.2 Other receivable reasonably certain to be collected

Name	Book balance	The reason of not accrual
China National Shipbuilding Equipment and Materials Corporation	120,118,893.59	Historical issues
Petty cash	2,418,013.37	Generally recoverable
Escrow personnel social security (individual)	271,085.52	Generally recoverable
Guangzhou Qingji	270,000,000.00	Generally recoverable
<b>Total</b>	<b>392,807,992.48</b>	

13.1.1.3 Allowance for doubtful debts on portfolio

Aging	As at 31/12/2017			As at 1/1/2017		
	Book balance	Allowance rate (%)	Allowance for doubtful debts	Book balance	Allowance rate (%)	Allowance for doubtful debts
Within 1 year						
1-2 years						
2-3 years						
More than 3 years	3,799,712.80	100.00	3,799,712.80	3,799,712.80	100.00	3,799,712.80
<b>Total</b>	<b>3,799,712.80</b>	<b>—</b>	<b>3,799,712.80</b>	<b>3,799,712.80</b>	<b>—</b>	<b>3,799,712.80</b>

13.1.2 Other receivables due from the top five debtors of the Company are as follows:

Debtor name	Nature of receivable	Book balance	Aging	Percentage in total other receivables (%)	Balance of allowance for doubtful debts as at 31/12/2017
Jiangnan Shipyard (Group) Co., Ltd	Capital appropriated from the national treasury	2,470,850,000.00	Amount within 6 months is 2,056,250,000.00, more than 5 years is 414,600,000.00	30.62	
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd	Unified loan and return	1,234,000,000.00	Within 6 months	15.29	
CSSC Huangpu Wenchong Shipping Co., Ltd.	Capital appropriated from the national treasury	755,850,000.00	Within 6 months	9.37	
CSSC International (Guangzhou) Limited	Capital appropriated from the national treasury, unified loan and return	728,640,000.00	Within 6 months	9.03	
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	Capital appropriated from the national treasury, unified loan and return	433,900,000.00	Within 6 months	5.38	
<b>Total</b>	—	<b>5,623,240,000.00</b>	—		

### 13.2 Long-term equity investments

#### 13.2.1 Classification of long-term equity investments

Item	Balance as at 1/1/2017	Additions	Reductions	Balance as at 12/31/2017
Investment to subsidiaries	36,380,390,281.61	1,371,444,085.87	741,158,500.00	37,010,675,867.48
Investment to joint ventures	2,832,719,232.89	3,110,551,435.38		5,943,270,668.27
Investment to associates	92,534,448.31	3,077,789.92		95,612,238.23
<b>Subtotal</b>	<b>39,305,643,962.81</b>	<b>4,485,073,311.17</b>	<b>741,158,500.00</b>	<b>43,049,558,773.98</b>
Less: Impairment for long-term equity investment				
<b>Total</b>	<b>39,305,643,962.81</b>	<b>4,485,073,311.17</b>	<b>741,158,500.00</b>	<b>43,049,558,773.98</b>

13.2.2 Details of long-term equity investments

Invested entity	Investment cost	Balance as at 1/1/2017	Movement in current year							Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others	
<b>Subsidiaries</b>	<b>37,010,675,867.48</b>	<b>36,380,390,281.61</b>	<b>1,371,444,085.87</b>	<b>741,158,500.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,010,675,867.48</b>
Beijing Shipbuilding Industry Management Cadres Institute	6,546,635.90	6,546,635.90					-				6,546,635.90
Guangzhou Shipbuilding Industry Co., Ltd.	967,301,608.27	967,301,608.27					-				967,301,608.27
Guangzhou Shipbuilding and Marine Engineering Design and Research Institute	708,529.00	708,529.00					-				708,529.00
Guangzhou Shipbuilding Co., Ltd	150,000,000.00	150,000,000.00					-				150,000,000.00
Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd	20,000,000.00	20,000,000.00					-				20,000,000.00
Guangzhou CSSC Wenchong Shipyard Co., Ltd	582,967,242.15	582,967,242.15					-				582,967,242.15
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	3,940,161,139.89	3,940,161,139.89					-				3,940,161,139.89
Hualian Shipyard Co., Ltd	46,077,384.75	46,077,384.75					-				46,077,384.75
Jiangnan Shipyard (Group) Co., Ltd	3,941,410,203.99	3,941,410,203.99					-				3,941,410,203.99

Invested entity	Investment cost	Balance as at 1/1/2017	Movement in current year							Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others	
Jiangxi Chaoyang Machinery Factory	45,400,000.00	45,400,000.00					-				45,400,000.00
Jiujiang Precision Testing Technology Research Institute	218,607,981.08	218,607,981.08					-				218,607,981.08
Nanjing CSSC Lvzhou Machinery Co., Ltd	656,258,410.86	656,258,410.86					-				656,258,410.86
Shanghai Ship Design and Research Institute	55,371,887.67	55,371,887.67					-				55,371,887.67
Shanghai Jiangnan Shipyard Co., Ltd.	312,724,137.72	312,724,137.72					-				312,724,137.72
Shanghai Lu Pu Bridge Investment and Development Co., Ltd	40,000,000.00	40,000,000.00					-				40,000,000.00
Shanghai Ruiyuan Real Estate Development Co., Ltd	159,283,025.12	159,283,025.12					-				159,283,025.12
Shanghai Ruizhou Real Estate Development Co., Ltd	42,000,000.00	42,000,000.00					-				42,000,000.00
CSSC Finance Co., Ltd	2,959,244,288.00	2,959,244,288.00					-				2,959,244,288.00
CSSC Electronic Technology Co., Ltd	928,304,800.00	928,304,800.00					-				928,304,800.00
CSSC Power Research Institute Co., Ltd	520,600,000.00	520,600,000.00					-				520,600,000.00
CSSC Power Co., Ltd	1,674,705,402.56	1,642,155,402.56	32,550,000.00				-				1,674,705,402.56
CSSC Technology Co., Ltd.	831,749,502.80	831,749,502.80									831,749,502.80

Invested entity	Investment cost	Balance as at 1/1/2017	Movement in current year							Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others	
CSSC Industrial Complete Logistics Co., Ltd	1,015,038,177.71	1,015,038,177.71					-				1,015,038,177.71
CSSC Guangxi Shipping and Marine Engineering Co., Ltd	633,104,459.11	350,567,373.24	282,537,085.87				-				633,104,459.11
CSSC Offshore and Marine Engineering (Group) Co., Ltd	1,718,570,348.02	1,550,420,348.02	168,150,000.00				-				1,718,570,348.02
CSSC Marine Equipment Innovation Park Investment Co., Ltd	100,000,000.00	100,000,000.00					-				100,000,000.00
CSSC Southern China Marine Machinery Co., Ltd	391,087,045.26	363,994,545.26	27,092,500.00				-				391,087,045.26
CSSC Jiujiang Industry Co., Ltd	663,458,585.31	603,408,585.31	60,050,000.00				-				663,458,585.31
CSSC Shanghai Shipbuilding Industry Co., Ltd	45,027,084.74	45,027,084.74					-				45,027,084.74
CSSC Investment and Development Co., Ltd	6,003,026,900.00	6,003,026,900.00					-				6,003,026,900.00
CSSC Heavy Equipment Co., Ltd	50,000,000.00	50,000,000.00					-				50,000,000.00
CSSC (Hongkong) Shipping Leasing Co., Ltd	3,748,825,082.51	3,748,825,082.51					-				3,748,825,082.51
China Ship News Agency	500,000.00	500,000.00					-				500,000.00
China CSSC Holdings Limited	2,222,279,485.50	2,222,279,485.50					-				2,222,279,485.50
China Shipbuilding	14,178,288.83	14,178,288.83					-				14,178,288.83

Invested entity	Investment cost	Balance as at 1/1/2017	Movement in current year							Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others	
Industry Government Service Center											
The Eleventh Research Institute of China State Shipbuilding Corporation	103,592,250.79	103,592,250.79					-				103,592,250.79
China Shipbuilding Trading Co., Ltd	166,775,109.53	166,775,109.53					-				166,775,109.53
China State Shipbuilding Industry Systems Research Institute	757,526,447.17	734,226,447.17	23,300,000.00				-				757,526,447.17
China Institute of Marine Technology and Economy	35,940,719.25	35,940,719.25					-				35,940,719.25
China Shipbuilding and Marine Engineering Design and Research Institute	513,070,489.57	513,070,489.57					-				513,070,489.57
CSSC Chengxi Shipbuilding Co. Ltd.	400,000,000.00	400,000,000.00					-				400,000,000.00
CSSC International Trading Co., Ltd.	158,342,924.60	158,342,924.60					-				158,342,924.60
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	165,783,199.41	129,177,199.41	36,606,000.00				-				165,783,199.41
Jiujiang Lushan Cuizhu Villa Co., Ltd.	1,000,000.00	1,000,000.00					-				1,000,000.00
Guangzhou Shipyard International		-	741,158,500.00	741,158,500.00			-				-



Invested entity	Investment cost	Balance as at 1/1/2017	Movement in current year						Balance as at 31/12/2017	Ending balance of impairment provision
			Increase	Decrease	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Others
(Yangzhou) Co., Ltd										
CSSC Europe Co., Ltd	4,127,090.41	4,127,090.41					-			
China Shipbuilding Industry Bureau of Retired Officials										
<b>Joint venture enterprises</b>	<b>3,816,680,510.94</b>	<b>2,832,719,232.89</b>			<b>3,110,551,435.38</b>					
Shanghai Ruiming Properties Co., Ltd	1,272,833,638.48	787,732,835.65			-21,514,008.56					
Shanghai Ruibo Properties Co., Ltd	1,257,306,243.12	261,023,340.68			3,143,882,310.88					
CSSC Real Estate Co., Ltd	1,286,540,629.34	1,783,965,056.56			-11,816,866.94					
<b>Associated enterprises</b>	<b>73,684,846.06</b>	<b>92,534,448.31</b>			<b>3,077,789.92</b>					
Zhengmao Group Co., Ltd	73,684,846.06	92,534,448.31			3,077,789.92					
<b>Total</b>	<b>40,901,041,224.48</b>	<b>39,305,643,962.81</b>	<b>1,371,444,085.87</b>	<b>741,158,500.00</b>	<b>3,113,629,225.30</b>					
										<b>43,049,558,773.98</b>

### 13.2.3 Main financial information of significant joint venture enterprises

Item	Year ended 31/12/2017				Year ended 31/12/2016		
	Shanghai Ruiming Properties Co., Ltd	Shanghai Ruibo Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruiming Properties Co., Ltd	Shanghai Ruibo Properties Co., Ltd	CSSC Real Estate Co., Ltd	
Current assets	1,684,264,539.75	8,593,283,183.36	5,990,639,684.91	1,603,643,154.48	12,546,653,576.97	6,745,740,246.41	
Non-current assets	2,039,646,186.33	6,099,604,855.96	476,145,226.17	2,207,219,321.15	3,274,548,494.36	61,738,520.97	
Total assets	3,723,910,726.08	14,692,888,039.32	6,466,784,911.08	3,810,862,475.63	15,821,202,071.33	6,807,478,767.38	
Current liabilities	1,156,172,763.18	7,022,848,481.36	1,789,589,061.57	1,171,267,462.09	13,060,803,338.84	2,106,649,183.99	

Item	Year ended 31/12/2017			Year ended 31/12/2016		
	Shanghai Ruiming Properties Co., Ltd	Shanghai Ruibo Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruiming Properties Co., Ltd	Shanghai Ruibo Properties Co., Ltd	CSSC Real Estate Co., Ltd
Non-current liabilities						
Total liabilities	1,156,172,763.18	7,022,848,481.36	1,789,589,061.57	1,171,267,462.09	13,060,803,338.84	2,106,649,183.99
Net assets	2,567,737,962.90	7,670,039,557.96	4,677,195,849.51	2,639,595,013.54	2,760,398,732.49	4,700,829,583.39
Portion of net assets calculated according to the shareholding percentage	1,283,868,980.95	3,835,019,783.98	2,338,597,924.76	1,319,797,506.77	1,380,199,366.25	2,350,414,791.70
Adjustment matters	-517,650,153.86	-430,114,132.42	-566,451,735.14	-532,064,671.12	-1,119,176,025.57	-566,451,735.14
Book value of equity investments to joint ventures enterprises	766,218,827.09	3,404,905,651.56	1,772,146,189.62	787,732,835.65	261,023,340.68	1,783,963,056.56
Fair value of equity investments with public offering price						
Operating revenue	348,965,691.15	15,615,350,415.62	5,789,152.05	325,063,142.10	138,666,666.67	4,628,536,482.03
Financial expense	-9,532,917.91	-57,008,655.55	-33,144,110.61	-9,837,878.69	-19,013,413.16	-54,520,504.13
Income tax expense		1,638,758,758.15	-7,776,565.04		44,282,100.28	485,162,841.02
Net profit	-71,857,051.64	4,909,640,835.47	-23,635,733.88	-87,582,641.00	126,364,334.45	1,455,488,523.04
Other comprehensive income						
Total comprehensive income	-71,857,051.64	4,909,640,835.47	-23,635,733.88	-87,582,641.00	126,364,334.45	1,455,488,523.04
Dividend received from joint venture enterprises in this period						

### 13.2.4 Main financial information of significant associated enterprises

Item	Zhengmao Group Co., Ltd	
	Year ended 31/12/2017	Year ended 31/12/2016
Current assets	313,018,680.06	327,375,031.61
Non-current assets	34,843,889.29	43,812,073.77
Total assets	347,862,569.35	371,187,105.38
Current liabilities	125,552,614.25	129,757,472.43
Non-current liabilities	10,450,353.44	13,219,644.38
Total liabilities	136,002,967.69	142,977,116.81
Net assets	211,859,601.66	228,209,988.57
Portion of net assets calculated according to the shareholding percentage	95,612,238.23	102,991,167.84
Adjustment matters		-10,456,719.53
Book value of equity investments to associated enterprises	95,612,238.23	92,534,448.31
Operating revenue	198,107,823.71	241,933,306.45
Net profit	-12,172,878.34	-9,180,833.89
Total comprehensive income	-12,172,878.34	-9,180,833.89
Dividend received from associates in this period		500,000.00

### 13.3 Operating income and operating cost

Item	Year ended 31/12/2017		Year ended 31/12/2016	
	Income	Cost	Income	Cost
Guarantee fee income	57,638,383.79		47,001,589.46	
Rent income			59,217,746.00	
Financing service fee			2,931,000.00	
Enterprise network service	101,132.07		4,563,207.50	
Coordination service	10,377,358.52	3,542,169.78		
Others	224,905.67			
<b>Total</b>	<b>68,341,780.05</b>	<b>3,542,169.78</b>	<b>113,713,542.96</b>	

### 13.4 Investment income

Source of investment income	Year ended 31/12/2017	Year ended 31/12/2016
Gain/(Loss) from long-term equity investments in equity method	3,113,629,225.30	1,347,482,861.94
Gain/(Loss) on disposal of long term equity investment	245,368,801.06	0.00
Gain/(Loss) on held-to-maturity financial assets during the holding period	1,212,215,298.75	1,306,816,941.32
Gains on available-for-sale financial assets during the holding period	396,000.00	330,000.00
Gain/(Loss) from long-term equity investments in cost method	500,175,848.87	395,113,844.56
<b>Total</b>	<b>5,071,785,173.98</b>	<b>3,049,743,647.82</b>

### 13.5 Notes to statement of cash flows

#### 13.5.1 Supplement to statement of cash flows

Item	Year ended 31/12/2017	Year ended 31/12/2016
Net profit adjusted to cash flows from operating activities		
Net profit	3,747,473,668.45	1,778,845,913.97
Add: provision for asset impairment		
Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets	17,018,171.67	17,999,535.56
Amortization of intangible assets		35,986.00
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-794,099.24	
Financial expenses ("-" for income)	1,202,829,031.78	1,275,179,050.13
Investments losses ("-" for gains)	-5,071,785,173.98	-3,049,743,647.82
Decreases in operating receivables ("-" for increases)	6,256,160.63	-3,256,089.20
Increases in operating payables ("-" for decreases)	5,597,235.53	-265,896,534.44
Net cash flows from operating activities	-93,405,005.16	-246,835,785.80
Significant investing and financing activities not involving cash inflow and outflow	—	—
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
Net change in cash and cash equivalents	—	—
Cash as at 31/12/2017	3,354,115,233.16	3,940,476,403.74
Less: cash as at 1/1/2017	3,940,476,403.74	6,795,321,837.94
Add: cash equivalents as at 31/12/2017		
Less: cash equivalents as at 1/1/2017		
Net increase in cash and cash equivalents	-586,361,170.58	-2,854,845,434.20

#### 13.5.2 Cash and cash equivalents

Item	Balance as at 31/12/2017	Balance as at 1/1/2017
Cash	3,354,115,233.16	3,940,476,403.74
Including: cash on hand	5,235.00	11,335.39
Unrestricted bank deposits	3,354,105,641.81	3,940,460,727.43
Unrestricted other cash and cash equivalents	4,356.35	4,340.92
Cash equivalents		
Cash and cash equivalents as at 31/12/2017	3,354,115,233.16	3,940,476,403.74

14. Other content should be disclosed in accordance with the related financial accounting and systems

None

**China State Shipbuilding Corporation Limited**

Apr. 24, 2018

## Auditor's Report

[English translation for reference only;

If any differences exist, the Chinese version shall prevail.]

XYZH/2017BJA100114

### To China State Shipbuilding Corporation:

We have audited the accompanying financial statements of China State Shipbuilding Corporation (hereafter referred to as "CSSC Group"), which comprise the consolidated and the parent company's balance sheets as at December 31, 2016, and the consolidated and the parent company's income statements, the consolidated and the parent company's cash flow statements, the consolidated and the parent company's statements of changes in shareholder's equity for the year then ended, and notes to these financial statements. Wherein, for special matters involving state secrets not applicable for audit by accounting firms, the internal audit organization of CSSC Group conducts the audit.

### I、Management's Responsibility for the Financial Statements

The management of CSSC Group is responsible for the preparation and fair presentation of these financial statements. These responsibilities include: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

### II、Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment,

including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **III、 Audit Opinion**

In our opinion, the financial statements of CSSC Group have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material respects and present fairly the consolidated and the parent company's financial position of CSSC Group as at December 31, 2015, and of their consolidated and the parent company's financial performance and cash flows for the year then ended.

ShineWing Certified Public Accountants  
(Limited Liability Partnership)

Chinese Certified Public Accountant: Gang CHEN

Chinese Certified Public Accountant: Yong SONG

Beijing, China

April 27, 2017

**Consolidated Balance Sheet**  
As at December 31, 2016

Prepared by: China State Shipbuilding Corporation					Unit: RMB		
	Line	Ending balance	Beginning balance	Item	Line	Ending balance	Beginning balance
CURRENT ASSETS:	1		73,230,971,439.86	CURRENT LIABILITIES:	73		
	2	65,306,490,055.81		Short-term borrowings	74	8,001,303,994.40	12,729,143,912.72
	3	-	-	△Borrowings from Central Bank	75	-	-
	4	-	-	△Customer bank deposits and due to banks and other financial institutions	76	708,090,150.26	122,555,939.16
	5	1,976,413,719.67	3,180,349,934.51	△Placements from banks and other financial institutions	77	90,181,000.00	97,404,000.00
	6	-	-	Financial liabilities at fair value through profit or loss	78	95,035,037.83	181,719,608.07
	7	2,032,108,926.95	2,395,425,664.40	Derivative financial liabilities	79	-	-
	8	10,689,901,134.09	10,726,682,569.98	Notes payable	80	7,727,006,982.52	8,046,645,763.58
	9	27,724,049,122.65	26,731,786,688.00	Accounts payable	81	34,767,849,829.04	32,880,534,403.37
	10	-	-	Advances from customers	82	10,343,086,783.77	14,321,509,144.36
	11	-	-	△Assets sold under agreements to repurchase	83	-	102,261,126.64
	12	-	-	△Handling charges and commission payable	84	-	-
	13	415,052,242.91	733,432,514.19	Accrued employee compensation	85	1,150,629,333.64	1,242,432,653.45
	14	24,437,888.17	26,185,108.05	Including: Accrued payroll	86	500,992,511.14	558,295,695.45
	15	1,434,890,009.12	2,047,994,123.47	Welfare expense payable	87	5,890,671.97	5,599,519,477.61
	16	-	-	#Including: Staff bonus and welfare fund	88	5,312,267.61	-
	17	46,636,994,416.13	45,988,143,785.36	Taxes and fees payable	89	1,181,387,105.40	2,569,464,359.01
	18	5,892,377,559.94	8,579,720,051.06	Including: Taxes payable	90	1,103,065,613.04	-2,631,082,853.68
	19	2,017,802,734.73	1,485,836,272.36	Interests payable	91	695,329,344.94	661,084,639.02
	20	-	-	Dividend payable	92	134,407,757.50	197,221,918.90
21	9,906,081,859.14	7,631,179,489.01	Other payables	93	4,128,292,889.56	5,152,315,237.01	
22	10,450,803,399.01	4,259,310,682.92	△Payables due to reinsurers	94	-	-	
23	176,597,222,773.65	176,951,462,019.75	△Insurance contract reserves	95	-	-	
24			△Customer brokerage deposits	96	-	-	
NON-CURRENT ASSETS:	25	320,262,287.79	677,167,259.57	△Securities underwriting brokerage deposits	97	-	-
	26	12,014,261,799.03	6,694,720,431.04	Liabilities classified as held for sale	98	-	-
	27	-	2,918,300,000.00	Non-current liabilities maturing within one year	99	19,698,326,547.94	16,727,215,160.15
	28	10,237,703,831.69	2,475,436,317.85	Other current liabilities	100	40,617,126,358.25	51,166,789,476.67
	29	10,865,909,854.15	7,712,367,030.63	TOTAL CURRENT LIABILITIES	101	129,338,053,175.05	141,059,368,624.09
	30	947,154,750.18	980,631,222.50	LONG-TERM LIABILITIES:	102		
	31	79,581,877,060.24	76,261,317,158.94	Long-term borrowings	103	35,189,345,949.71	20,092,706,057.95
	32	30,986,614,810.69	27,844,319,776.60	Bonds payable	104	27,088,549,359.33	19,951,428,495.05
	33	48,595,202,249.55	48,416,997,382.34	Long-term payables	105	321,950,131.78	803,573,763.53
	34	450,622,068.40	403,512,042.33	Long-term employee salary payable	106	864,949,270.08	870,171,981.02
	35	48,134,580,181.15	48,013,485,340.01	Payables for specific projects	107	2,140,736,239.07	2,286,621,385.19
	36	11,510,245,731.17	8,218,154,756.93	Estimated liabilities	108	3,337,322,671.86	2,574,694,897.81
	37	6,233,301.42	33,822,960.51	Deferred income	109	1,349,034,493.60	849,177,427.09
	38	22,884,076.92	120,548,129.18	Deferred tax liabilities	110	302,669,041.07	334,701,082.52
	39	-	-	Other long-term liabilities	111	38,663,192.84	38,663,192.84
	40	-	-	Including: Special reserve fund	112	-	-
	41	8,936,564,504.32	8,826,775,317.53	TOTAL LONG-TERM LIABILITIES	113	70,653,299,349.54	47,822,489,303.00
	42	327,527,783.38	15,093,327.96	EQUITY (OR SHAREHOLDER'S EQUITY):	114	199,991,352,524.59	188,881,857,927.09
	43	204,988,463.23	247,803,595.62	Paid-in capital (Share capital)	115	25,500,000,000.00	24,500,000,000.00
	44	2,707,139,706.78	2,841,602,437.18	State-owned capital	116	25,500,000,000.00	24,500,000,000.00
45	381,202,797.42	537,904,915.44	Including: State-owned capital contributed by legal person	117	-	-	
46	-	-	Collective capital	118	-	-	
47	-	-	Private capital	119	-	-	
TOTAL NON-CURRENT ASSETS	48	106,756,733,741.93	90,548,954,217.25	Including: Individual capital	120	-	-
	49			Foreign investors capital	121	-	-
	50			#Less: Investment returned	122	-	-
	51			Net paid-in capital (Share capital)	123	-	-
	52			Other equity instruments	124	25,500,000,000.00	24,500,000,000.00
	53			Including: Preferred shares	125	-	-
	54			Perpetual bond	126	-	-
	55			Capital reserves	127	-	-
	56			Less: Treasury stock	128	15,823,513,661.40	13,946,526,619.76
	57			Other comprehensive income	129	-	-
	58			Including: Exchange differences on translating foreign currency financial	130	295,298,325.87	630,117,105.92
	59			Special reserves	131	-109,515,716.04	-183,362,886.42
	60			Surplus reserves	132	64,881,662.88	65,044,169.44
	61			Including: Statutory surplus reserves	133	2,330,139,839.63	2,152,255,248.23
	62			#Reserve fund	134	2,330,139,839.63	2,152,255,248.23
	63			#Enterprise expansion fund	135	-	-
	64			#Profits for return of investments	136	-	-
	65			△Provision for general risks	137	-	-
	66			Undistributed profit	138	-	-
	67			TOTAL EQUITY BELONGS TO OWNER OF PARENT COMPANY	139	-	-
68			*Non-controlling interest	140	19,671,940,472.84	18,178,125,030.59	
69			TOTAL OWNERS' (OR SHAREHOLDER'S) EQUITY	141	63,685,773,962.62	59,472,068,173.94	
70			TOTAL LIABILITIES AND OWNERS' (OR SHAREHOLDER'S) EQUITY	142	19,676,630,028.37	19,146,490,135.97	
71			TOTAL ASSETS	143	83,362,603,990.99	78,618,558,309.91	
72		283,353,966,515.58	267,500,416,237.00	TOTAL LIABILITIES AND OWNERS' (OR SHAREHOLDER'S) EQUITY	144	283,353,966,515.58	267,500,416,237.00

Accounting Representative: Accounting Director: Accounting Manager:

Accounting Manager:

Accounting Director:

Legal Representative:



**Balance Sheet of the Parent Company**  
As at December 31, 2016

Prepared by: China State Shipbuilding Corporation				Unit: RMB			
Item	Line	Ending balance	Beginning balance	Item	Line	Ending balance	Beginning balance
<b>CURRENT ASSETS:</b>	1			<b>CURRENT LIABILITIES:</b>	73		
Cash and cash equivalents	2	3,940,476,403.74	6,795,321,837.94	Short-term borrowings	74	1,566,000,000.00	5,292,000,000.00
△Settlement reserve fund	3	-	-	△Borrowings from Central Bank	75	-	-
△Loans to banks and other financial institutions	4	-	-	△Customer bank deposits and due to banks and other financial institutions	76	-	-
Financial assets at fair value through profit or loss	5	-	-	△Placements from banks and other financial institutions	77	-	-
Derivative financial assets	6	-	-	Financial liabilities at fair value through profit or loss	78	-	-
Notes receivable	7	-	-	Derivative financial liabilities	79	-	-
Accounts receivable	8	-	-	Notes payable	80	-	-
Advances to suppliers	9	-	-	Accounts payable	81	-	-
△Premium receivable	10	-	-	Advances from customers	82	-	-
△Receivables from reinsurers	11	-	-	△Assets sold under agreements to repurchase	83	-	-
△Reinsurance contract reserves receivable	12	-	-	△Handling charges and commission payable	84	-	-
Interests receivable	13	-	-	Accrued employee compensation	85	6,401,433.99	8,884,448.67
Dividend receivable	14	21,254,659.19	506,837,956.88	Including: Accrued payroll	86	-	-
Other receivables	15	5,749,489,721.50	4,992,405,029.46	Welfare expense payable	87	-	-
△Financial assets purchased under agreements to resell	16	-	-	#Including: Staff bonus and welfare fund	88	-	-
Inventories	17	-	-	Taxes and fees payable	89	13,322,343.42	358,072,959.65
Including: Raw materials	18	-	-	Including: Taxes payable	90	13,322,343.42	358,072,959.65
Merchandise inventories (finished products)	19	-	-	Interests payable	91	463,700,235.92	486,582,849.76
Assets classified as held for sale	20	-	-	Dividend payable	92	-	-
Non-current assets maturing within one year	21	6,769,000,000.00	3,039,000,000.00	Other payables	93	310,227,720.15	460,521,795.67
Other current assets	22	7,431,022,062.97	15,400,000,000.00	△Payables due to reinsurers	94	-	-
<b>TOTAL CURRENT ASSETS</b>	23	23,911,242,847.40	30,733,564,824.28	△Insurance contract reserves	95	-	-
<b>NON-CURRENT ASSETS:</b>	24			△Customer brokerage deposits	96	-	-
△Loans and advances to customers	25	-	-	△Securities underwriting brokerage deposits	97	-	-
△Available-for-sale financial assets	26	1,458,684,000.00	289,724,000.00	Liabilities classified as held for sale	98	-	-
Held-to-maturity investments	27	-	-	Non-current liabilities maturing within one year	99	4,169,000,000.00	3,038,250,000.00
Long-term accounts receivable	28	-	-	Other current liabilities	100	7,000,000,000.00	11,001,737,704.92
Long-term equity investments	29	-	-	Other current liabilities	101	13,528,651,733.48	20,646,049,758.67
Investment properties	30	39,305,643,962.81	34,262,024,417.25	<b>TOTAL CURRENT LIABILITIES</b>	102	9,538,049,000.00	3,937,049,000.00
Original cost of fixed assets	31	770,662,144.23	769,558,766.00	<b>LONG-TERM LIABILITIES:</b>	103		
Less: Accumulated depreciation	32	318,884,508.99	300,884,971.43	Long-term borrowings	104	-	-
Net value of fixed assets	33	451,777,635.24	468,673,795.47	Bonds payable	105	-	-
Less: Provision for impairment loss on fixed assets	34	-	-	Long-term payables	106	-	-
Net book value of fixed assets	35	451,777,635.24	468,673,795.47	Long-term employee salary payable	107	400,000,000.00	400,000,000.00
Construction in process	36	42,359,586.87	41,968,990.60	Payables for specific projects	108	-	-
Project material	37	-	-	Estimated liabilities	109	-	-
Liquidation of fixed assets	38	-	-	Deferred income	110	184,414,404.36	123,432,730.65
Productive biological assets	39	-	-	Deferred tax liabilities	111	-	-
Oil and gas assets	40	-	-	Other long-term liabilities	112	-	-
Intangible assets	41	-	-	Including: Special reserve fund	113	-	-
Development expenditure	42	-	-	<b>TOTAL LONG-TERM LIABILITIES</b>	114	33,523,505,021.66	20,830,350,863.07
Goodwill	43	-	-	<b>TOTAL LIABILITIES</b>	115	47,052,156,755.14	41,476,400,441.74
Long-term deferred expenses	44	-	-	<b>EQUITY (OR SHAREHOLDER'S EQUITY):</b>	116		
Deferred tax assets	45	2,242,130.15	2,242,130.15	Paid-in capital (Share capital)	116	25,500,000,000.00	24,500,000,000.00
Other non-current assets	46	30,838,049,000.00	19,819,192,000.01	State-owned capital	117	25,500,000,000.00	24,500,000,000.00
Including: Special reserve materials	47	-	-	Including: State-owned capital contributed by legal person	118	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	48	72,086,756,317.07	54,883,861,319.48	Collective capital	119	-	-
	49	-	-	Private capital	120	-	-
	50	-	-	Including: Individual capital	121	-	-
	51	-	-	Foreign investors capital	122	-	-
	52	-	-	#Less: Investment returned	123	-	-
	53	-	-	Net paid-in capital (Share capital)	124	25,500,000,000.00	24,500,000,000.00
	54	-	-	Other equity instruments	125	-	-
	55	-	-	Including: Preferred shares	126	-	-
	56	-	-	Perpetual bond	127	-	-
	57	-	-	Capital reserves	128	7,422,059,261.00	5,415,383,588.78
	58	-	-	Less: Treasury stock	129	-	-
	59	-	-	Other comprehensive income	130	187,972,105.86	5,027,084.74
	60	-	-	Including: Exchange differences on translating foreign currency financial statement	131	-	-
	61	-	-	Special reserves	132	-	-
	62	-	-	Surplus reserves	133	2,343,812,323.22	2,165,927,731.82
	63	-	-	Including: Statutory surplus reserves	134	2,343,812,323.22	2,165,927,731.82
	64	-	-	Discretionary surplus reserves	135	-	-
	65	-	-	#Reserve fund	136	-	-
	66	-	-	#Enterprise expansion fund	137	-	-
	67	-	-	#Profits for return of investments	138	-	-
	68	-	-	△Provision for general risks	139	-	-
	69	-	-	Undistributed profit	140	13,503,988,719.25	12,054,687,296.68
	70	-	-	TOTAL EQUITY BELONGS TO OWNER OF PARENT COMPANY	141	48,957,842,409.33	44,141,025,702.02
	71	-	-	*Non-controlling interest	142	-	-
<b>TOTAL ASSETS</b>	72	96,009,999,164.47	85,617,426,143.76	<b>TOTAL OWNERS' (OR SHAREHOLDER'S) EQUITY</b>	143	48,957,842,409.33	44,141,025,702.02
				<b>TOTAL LIABILITIES AND OWNER'S (OR SHAREHOLDER'S) EQUITY</b>	144	96,009,999,164.47	85,617,426,143.76

Accounting Director: Accounting Manager:

Legal Representative:

Accounting Director:

Accounting Manager:

# Consolidated Income Statement

For the year of 2016

Prepared by: China State Shipbuilding Corporation

Unit: RMB

Item	Line	This year	Last year	Item	Line	This year	Last year
<b>I. Total operating revenue</b>	1	198,481,921,891.89	189,655,440,171.91	Including: Gains on disposal of non-current assets	31	506,515,107.34	51,542,226.22
Including: Operation revenue	2	197,664,333,149.06	188,645,842,835.70	Gains on exchange of non-monetary assets	32	-	-
△Interest income	3	673,275,109.62	835,136,294.62	Government grant	33	1,311,653,520.16	1,802,008,130.63
△Earned premium	4	-	-	Gains on debt restructuring	34	133,005.16	179,206.92
△Handling charges and commission income	5	144,313,433.21	174,461,041.59	Less: Non-operating expenses	35	424,730,826.55	146,646,053.88
<b>II. Total operating costs</b>	6	201,254,082,068.51	193,859,805,397.14	Including: Losses on disposal of non-current assets	36	122,349,229.01	29,262,727.72
Including: Operation cost	7	183,868,780,616.64	178,069,468,657.49	Losses on exchange of non-monetary assets	37	-	-
△Interest expenses	8	6,084,286.47	19,256,141.44	Losses on debt restructuring	38	-	-
△Handling charges and commission expenses	9	2,500,443.38	817,736.96	<b>IV. Profit before tax (loss marked with "-")</b>	39	1,970,370,972.24	3,672,258,228.07
△Surrenders	10	-	-	Less: Income tax expense	40	1,029,893,896.53	1,096,869,973.34
△Net claims paid	11	-	-	<b>V. Net profit (net loss marked with "-")</b>	41	940,477,075.71	2,575,388,254.73
△Net charges on insurance contract reserves	12	-	-	Net profit attributable to the owners of the parent company	42	2,441,952,718.38	2,755,291,797.23
△Policyholder dividend expenses	13	-	-	*Net profits and losses attributable to non-controlling interests	43	-1,501,475,642.67	-179,903,542.50
△Expenses for reinsurance accepted	14	-	-	<b>VI. Net amount of other comprehensive income after tax</b>	44	-278,838,741.85	43,878,345.05
Taxes and surcharges on operations	15	581,752,389.27	516,117,041.79	(I) Other comprehensive income which will not be classified into the profit or loss	45	-9,285,846.00	-20,567,175.00
Selling expenses	16	1,339,064,109.88	1,262,422,227.56	including: 1.Change of net liabilities or net assets from remeasurement of derivative financial instruments	46	-9,105,000.00	-20,937,500.00
General and administrative expenses	17	9,114,360,865.41	9,188,205,939.29	2.Share right entitled in the invested entity which cannot be reclassified in other comprehensive income in profits and losses under the equity method	47	-180,846.00	350,325.00
Including: Research and development expenditures	18	2,811,496,182.92	2,949,107,206.38	(II) Other comprehensive income which will be classified into the profit or loss	48	-269,552,895.85	64,465,520.05
Financial expenses	19	1,369,844,629.16	2,050,845,067.25	Including: 1.Share right entitled in the invested entity which will be reclassified in other comprehensive income in profits and losses under the equity method	49	-254,929,430.22	-15,729,553.97
Including: Interests expenses	20	2,805,567,154.71	2,887,783,847.52	2.Fair value changes in profits and losses of available for sale financial assets	50	-128,621,715.02	64,523,149.23
Interest income	21	1,192,938,255.39	1,456,825,886.64	3.Profits and losses from reclassifying held-to-maturity investments into available for sale financial assets	51	-	-
Net exchange loss (gain marked with "-")	22	-368,855,589.79	401,631,408.90	4.Effective portion in profits and losses of cash flow hedging	52	-	-
Impairment loss of assets	23	4,971,694,728.30	2,732,672,586.36	5.Difference on translation of foreign currency financial statements	53	113,988,249.39	15,671,924.79
Others	24	-	-	<b>VII. Total comprehensive income</b>	54	661,638,333.86	2,619,266,599.78
Plus: Gain or loss from fair value changes (loss marked with "-")	25	-3,063,313.26	-127,604,501.48	Total comprehensive income attributable to the owners of the parent company	55	2,113,641,603.95	2,770,316,797.60
Investment income (loss marked with "-")	26	3,150,240,269.84	5,130,332,205.22	Total comprehensive income attributable to non-controlling interest	56	-1,452,003,270.09	-151,050,197.82
including: Share of profits or losses of associates and jointly	27	2,136,406,646.93	824,058,547.63	<b>VIII. Earnings per share</b>	57	-	-
invested entities	28	13,087,442.78	10,392,572.75	Basic earnings per share	58	-	-
Less: Gain or loss on foreign currency exchange (loss marked with "-")	29	388,104,022.74	808,755,051.26	Diluted earnings per share	59	-	-
<b>III. Operating profit (loss marked with "-")</b>	30	2,006,997,776.05	3,010,149,230.69		60	-	-
Plus: Non-operating income							

Accounting Manager:

Accounting Director:

Legal Representative:

# Income Statement of the Parent Company

For the year of 2016

Prepared by: China State Shipbuilding Corporation

Unit: RMB

Item	Line	This year	Last year	Item	Line	This year	Last year
<b>I. Total operating revenue</b>	1	113,713,542.96	131,200,877.64	Including: Gains on disposal of non-current assets	31	-	-
Including: Operation revenue	2	113,713,542.96	131,200,877.64	Gains on exchange of non-monetary assets	32	-	-
△ Interest income	3	-	-	Government grant	33	4,064,660.64	3,845,660.26
△ Eamed premium	4	-	-	Gains on debt restructuring	34	-	-
△ Handling charges and commission income	5	-	-	Less: Non-operating expenses	35	1,493,000.00	1,100,000.00
<b>II. Total operating costs</b>	6	1,375,995,549.57	1,095,700,072.69	Including: Losses on disposal of non-current assets	36	-	-
Including: Operation cost	7	-	-	Losses on exchange of non-monetary assets	37	-	-
△ Interest expenses	8	-	-	Losses on debt restructuring	38	-	-
△ Handling charges and commission expenses	9	-	-	<b>IV. Profit before tax (loss marked with " - ")</b>	39	1,790,068,582.29	3,282,211,472.47
△ Surrenders	10	-	-	Less: Income tax expense	40	11,222,668.32	356,931,309.96
△ Net claims paid	11	-	-	<b>V. Net profit (net loss marked with " - ")</b>	41	1,778,845,913.97	2,925,280,162.51
△ Net charges on insurance contract reserves	12	-	-	Net profit attributable to the owners of the parent company	42	1,778,845,913.97	2,925,280,162.51
△ Policyholder dividend expenses	13	-	-	*Net profits and losses attributable to non-controlling interests	43	-	-
△ Expenses for reinsurance accepted	14	-	-	<b>VI. Net amount of other comprehensive income after tax</b>	44	182,945,021.12	-140,105.24
Taxes and surcharges on operations	15	3,866,626.88	7,412,849.63	(1) Other comprehensive income which will not be classified into the profit or loss	45	-	-
Selling expenses	16	-	-	including: 1. Changes on net intmmies or net assets from retirement or deemed retirement	46	-	-
General and administrative expenses	17	283,734,223.09	249,988,989.97	2. Share right entitled in the invested entity which cannot be reclassified in other comprehensive income in profits and losses under the equity method	47	-	-
Including: Research and development expenditures	18	89,620,307.12	52,258,800.00	(11) Other comprehensive income which will be classified into the profit or loss	48	182,945,021.12	-140,105.24
Financial expenses	19	1,088,394,699.60	838,298,233.09	Including: 1. Share right entitled in the invested entity which will be reclassified in other comprehensive income in profits and losses under the equity method	49	-	-
Including: Interests expenses	20	1,275,126,591.11	1,254,943,323.64	2. Fair value changes in profits and losses of available for sale financial assets	50	182,945,021.12	-
Interest income	21	183,903,252.18	410,847,874.80	3. Profits and losses from reclassifying held-to-maturity investments into available for sale financial assets	51	-	-
Net exchange loss (gain marked with " - ")	22	-8,403,647.79	-7,099,698.84	4. Effective portion in profits and losses of cash flow hedging	52	-	-
Impairment loss of assets	23	-	-	5. Difference on translation of foreign currency financial statements	53	-	-
Others:	24	-	-	<b>VII. Total comprehensive income</b>	54	1,961,790,935.09	2,925,140,057.27
Plus: Gain or loss from fair value changes (loss marked with " - ")	25	-	-	Total comprehensive income attributable to the owners of the parent company	55	1,961,790,935.09	2,925,140,057.27
Investment income (loss marked with " - ")	26	3,049,743,647.82	4,243,178,894.55	Total comprehensive income attributable to non-controlling interest	56	-	-
Income or loss on investments in associates and joint ventures (loss marked with " - ")	27	1,347,482,861.94	493,310,730.96	<b>VIII. Earnings per share:</b>	57	-	-
△ Gain or loss on foreign currency exchange (loss marked with " - ")	28	-	-	Basic earnings per share	58	-	-
<b>III. Operating profit (loss marked with " - ")</b>	29	1,787,461,641.21	3,278,679,699.50	Diluted earnings per share	59	-	-
Plus: Non-operating income	30	4,099,941.08	4,631,772.97		60	-	-

Accounting Manager:

Accounting Director:

Legal Representative:

# Consolidated Cash Flow Statement

For the year of 2016

Prepared by: China State Shipbuilding Corporation

Unit: RMB

Line	This year	Last year	Item	Line	This year	Last year
<b>I, Cash flows from operating activities:</b>						
1	199,741,140.018.96	198,723,431,644.20	Net cash received from the disposal of subsidiaries and other operating entities	30	627,982,782.49	935,531,284.02
2	582,534,211.10	983,036.45	Net cash received from disposal of subsidiaries and other operating entities	31	671,598,204.29	708,616,321.22
3	-102,261,126.64	-94,859,072.57	Proceeds from other investing activities	32	1,792,722,382.71	1,899,126,312.37
4	-7,223,000.00	97,404,000.00	Sub-total of cash inflows from investing activities	33	62,914,917,556.80	68,522,223,148.58
5	-	-	Payments for purchase and construction of fixed assets, intangible assets and other long-term	34	4,780,175,127.90	3,741,481,071.96
6	-	-	Payments for investments	35	68,215,920,273.39	56,560,330,561.17
7	-	-	△Net increase in pledged loans	36	-	-
8	-	-	Net cash paid for acquiring subsidiaries and other operating entities	37	1,759,873,833.77	396,701,687.36
9	-	-	Payments for other investing activities	38	751,513,633.61	908,014,765.45
10	930,296,182.08	983,251,716.82	Sub-total of cash outflows for investing activities	39	75,507,482,888.67	61,606,528,085.94
11	-	-	Net cash flows from investing activities	40	-12,592,565,311.87	6,915,695,082.64
12	-	-	III, Cash flows from financing activities:	41	-	-
13	4,588,068,369.90	4,367,538,777.29	Proceeds from absorbing capital contributions	42	2,782,280,549.81	2,912,223,292.57
14	12,358,904,593.16	17,790,055,803.78	Including: Proceeds from capital contributions from minority interests	43	2,065,904,748.07	-
15	218,091,459,248.56	221,867,806,905.77	Proceeds from obtaining borrowings	44	117,771,190,505.40	86,844,634,205.52
16	210,937,567,375.87	199,142,341,294.26	△Cash received from issuing bonds	45	-	-
17	-366,056,381.31	-508,354,582.08	Other proceeds relating to financing activities	46	17,794,195,880.92	19,826,901,242.39
18	-315,674,060.74	-3,024,185,302.15	Sub-total of cash inflows from financing activities	47	138,347,666,936.13	109,583,758,740.48
19	-	-	Cash paid for repaying debts	48	99,057,350,588.29	89,374,474,004.10
20	7,164,366.06	525,022,421.17	Distribution of dividends, profits or interests payments	49	2,200,577,754.34	3,069,050,419.44
21	-	-	Including: Dividends and profits paid to minority interests by subsidiaries	50	14,404,052.44	1,575,433.78
22	10,832,081,328.11	10,762,451,595.78	Payments for other financing activities	51	10,915,365,329.42	18,817,582,550.69
23	3,241,711,427.34	3,372,084,051.06	Sub-total of cash outflow for financing activities	52	112,173,293,672.05	111,261,106,974.23
24	10,748,827,072.94	7,863,300,894.45	Net cash flows from financing activities	53	26,174,373,264.08	-1,677,348,233.75
25	235,085,621,128.27	218,132,660,372.49	IV, Effect of exchange rate changes on cash and cash equivalents	54	866,828,689.48	610,010,932.78
26	-16,994,161,879.71	3,735,145,632.28	V, Net increase in cash and cash equivalents	55	-2,545,525,238.02	9,583,503,394.95
27	58,304,115,044.12	62,110,160,486.47	Add: Cash and cash equivalents at the beginning of the year	56	60,413,403,460.27	50,829,900,085.32
28	1,518,499,143.19	2,868,768,744.50	VI, Net balance of cash and cash equivalents at the end of the year	57	57,867,878,222.25	60,413,403,460.27
29	1,518,499,143.19	2,868,768,744.50	Legal Representative	58	Accounting Manager	

# Cash Flow Statement of the Parent Company

For the year of 2016

Prepared by: China State Shipbuilding Corporation

Unit: RMB

Item	Line	This year	Last year	Item	Line	This year	Last year
<b>I, Cash flows from operating activities:</b>	1			<b>Net cash received from the disposal of fixed assets, intangible assets and other long-term assets</b>	30	-	-
Cash received from the sale of goods or rendering of services	2	116,682,931.00	131,200,877.64	Net cash received from disposal of subsidiaries and other operating entities	31	-	-
Δ Net increase in deposits in central bank and other banks and	3	-	-	Proceeds from other investing activities	32	-	-
Δ Net increase in borrowings from Central Bank	4	-	-	<b>Sub-total of cash inflows from investing activities</b>	33	25,946,285,664.83	15,081,745,817.72
Δ Net increase in placements from other financial institutions	5	-	-	Payments for purchase and construction of fixed assets, intangible assets and other long-term assets	34	1,216,930.00	12,706,826.00
Δ Premiums received from original insurance contracts	6	-	-	Payments for investments	35	26,109,980,736.44	22,150,749,885.47
Δ Net cash received from reinsurance business	7	-	-	Δ Net increase in pledged loans	36	-	-
Δ Net increase in deposits from policyholders and investment funds	8	-	-	Net cash paid for acquiring subsidiaries and other operating entities	37	-	-
Δ Net increase in deposits in central bank and other banks and	9	-	-	Payments for other investing activities	38	109,935.00	39,947,800.00
Δ Cash received from interests, handling charges and commissions	10	-	-	<b>Sub-total of cash outflows for investing activities</b>	39	26,111,307,601.44	22,203,404,211.47
Δ Net increase in placements from banks and other financial institutions	11	-	-	<b>Net cash flows from investing activities</b>	40	-165,021,936.61	-7,121,658,393.75
Δ Net increase in repurchase business capital	12	-	-	<b>III, Cash flows from financing activities:</b>	41		
Refunds of taxes	13	-	-	Proceeds from absorbing capital contributions	42	1,000,000,000.00	911,900,000.00
Other cash receipts relating to operating activities	14	461,680,155.50	1,066,527,408.49	Including: Proceeds from capital contributions from minority interests	43	-	-
<b>Sub-total of cash inflows from operating activities</b>	15	578,363,086.50	1,197,728,286.13	Proceeds from obtaining borrowings	44	59,876,000,000.00	34,171,049,000.00
Cash paid for goods and services	16	-	-	Δ Cash received from issuing bond	45	-	-
Δ Net increase in loans and advances to customers	17	-	-	Other proceeds relating to financing activities	46	4,669,951,121.26	402,503,040.27
Δ Net increase in deposits in central bank and other financial institutions	18	-	-	<b>Sub-total of cash inflows from financing activities</b>	47	65,545,951,121.26	35,485,452,040.27
Δ Original insurance contract claims paid	19	-	-	Cash paid for repaying debts	48	59,408,000,000.00	26,000,000,000.00
Δ Cash paid for interests, handling charges and commissions	20	-	-	Distribution of dividends, profits or interests payments	49	1,676,613,945.49	1,774,194,263.99
Δ Policyholder dividend paid	21	-	-	Including: Dividends and profits paid to minority interests by subsidiaries	50	-	-
Cash paid to and on behalf of employees	22	102,403,871.49	118,059,028.06	Payments for other financing activities	51	6,904,324,887.56	2,153,192,000.00
Payments of all types of taxes	23	368,299,447.03	10,859,717.66	<b>Sub-total of cash outflow for financing activities</b>	52	67,988,938,833.05	29,927,386,263.99
Other cash payments relating to operating activities	24	354,495,553.78	781,184,028.02	<b>Net cash flows from financing activities</b>	53	-2,442,987,711.79	5,558,065,776.28
<b>Sub-total of cash outflows from operating activities</b>	25	825,198,872.30	910,102,771.74	<b>IV, Effect of exchange rate changes on cash and cash equivalents</b>	54	-	-
<b>Net cash flows from operating activities</b>	26	-246,835,785.80	287,625,514.39	<b>V, Net increase in cash and cash equivalents</b>	55	-2,854,845,434.20	-1,275,967,103.08
<b>II, Cash flows from investing activities:</b>	27			Add: Cash and cash equivalents at the beginning of the year	56	6,795,321,837.94	8,071,288,941.02
Cash received from recovery of investments	28	23,775,000,000.00	12,604,898,607.87	<b>VI, Net balance of cash and cash equivalents at the end of the year</b>	57	3,940,476,403.74	6,795,321,837.94
Cash received from investment income	29	2,171,285,664.83	2,476,847,209.85		58		

Accounting Manager:

Accounting Director:

Legal Representative:

# Consolidated Statement of Changes in Equity

For the year of 2016

Prepared by: China State Shipbuilding Corporation

Unit: RMB

Item	Line	This year												
		Equity attributable to owners of the parent company												
		Paid-in capital (or Share capital)	Other equity instrument	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	for general risks	Undistributed profit	Others	Subtotal	Minority shareholders' equity	Total equity
Column	1	2	3	4	5	6	7	6	9	10	11	12	13	
I. Balance at the end of last year	—	24,500,000,000.00	-	13,946,526,619.76	-	630,117,105.92	65,044,169.44	2,152,255,248.23	-	18,178,125,030.59	-	59,472,068,173.94	19,146,490,135.97	78,618,558,309.91
Add: Changes of accounting policies	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	2	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	3	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of this year	4	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase/ Decrease for this year (Decrease listed with "-")	5	24,500,000,000.00	-	13,946,526,619.76	-	630,117,105.92	65,044,169.44	2,152,255,248.23	-	18,178,125,030.59	-	59,472,068,173.94	19,146,490,135.97	78,618,558,309.91
(I) Total comprehensive income	6	1,000,000,000.00	-	1,876,987,041.64	-	334,816,780.05	-162,506.56	177,884,591.40	-	1,493,815,442.25	-	4,213,705,788.68	530,339,892.40	4,744,045,681.08
(II) Capital contribution and reduction from owners	7	-	-	-	-	-328,311,114.43	-	-	-	2,441,952,718.38	-	2,113,641,603.95	-1,452,003,270.09	661,638,333.86
Common shares contributed by owners	8	1,000,000,000.00	-	1,876,987,041.64	-	-650,766.62	-	-	-	-618,602,784.73	-	2,251,876,591.29	2,074,848,036.50	4,326,724,627.79
2.Capital contributed by holders of other equity instrument	9	1,000,000,000.00	-	2,006,675,672.22	-	-	-	-	-	-	-	3,006,675,672.22	1,561,400,974.45	4,568,076,646.67
3.Amounts of share-based payments recognized in owner's equity	10	-	-	-	-	-	-	-	-	-	-	-	-	-
4.Others	11	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Provision and utilisation of special reserves	12	-	-	-129,688,630.58	-	-650,766.62	-	-	-	-618,602,784.73	-	-754,799,080.93	513,447,062.05	-241,352,018.88
Provision for special reserve	13	-	-	-	-	-	-162,506.56	-	-	-	-	-162,506.56	175,534.94	13,028.38
2.Utilisation of special reserve	14	-	-	-	-	-	173,732,712.29	-	-	-	-	173,732,712.29	36,128,330.78	209,861,043.07
(IV) Profit distribution	15	-	-	-	-	-	473,895,218.85	-	-	-	-	-173,895,218.85	-35,952,795.84	-209,848,014.69
1.Appropriation to surplus reserves	16	-	-	-	-	-	-	177,884,591.40	-	-329,534,491.40	-	-151,649,900.00	-92,680,408.95	-244,330,308.95
Including: Statutory surplus reserve	17	-	-	-	-	-	-	177,884,591.40	-	177,884,591.40	-	-	-	-
Discretionary surplus reserves	18	-	-	-	-	-	-	177,884,591.40	-	-177,884,591.40	-	-	-	-
#Reserve fund	19	-	-	-	-	-	-	-	-	-	-	-	-	-
#Enterprise expansion fund	20	-	-	-	-	-	-	-	-	-	-	-	-	-
#Profits capitalized on return of investments	21	-	-	-	-	-	-	-	-	-	-	-	-	-
2.Provision for general risks	22	-	-	-	-	-	-	-	-	-	-	-	-	-
3.Profit distributed to owners (or shareholders)	23	-	-	-	-	-	-	-	-	-	-	-	-	-
4.Others	24	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Transfers within owner's equity	25	-	-	-	-	-	-	-	-	-151,649,900.00	-	-151,649,900.00	-92,643,530.21	-244,293,430.21
Transfers from capital reserves to paid-in capital (or share capital)	26	-	-	-	-	-	-	-	-	-	-	-	-36,878.74	-36,878.74
Transfers from surplus reserves to paid-in capital (or share capital)	27	-	-	-	-	-	-	-	-	-	-	-	-	-
3.Surplus reserves making up of losses	28	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement and transfer of the change in remeasurement of net liabilities or net assets of defined benefit plans	29	-	-	-	-	-	-	-	-	-	-	-	-	-
5.Others	30	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance of this year	31	25,500,000,000.00	-	15,823,513,661.40	-	295,298,325.87	64,881,662.88	2,330,139,839.63	-	19,671,940,472.84	-	63,685,773,962.62	19,676,830,028.37	83,362,603,990.99

Accounting Director:

Accounting Manager:

# Consolidated Statement of Changes in Equity (Continued )

For the year of 2016

Prepared by: China State Shipbuilding Corporation

Unit: RMB

Line	Item	Last year										
		Equity attributable to owners of the parent company										
		Parent capital (or Share capital)	Other equity income	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	for general risks	Undistributed profit	Others	Subtotal
	Column	1		2	3		4	5	6	7	8	9
I	<b>Balance at the end of last year</b>	23,600,000,000.00	-	10,728,998,841.74	-	557,062,871.58	37,156,971.74	1,873,399,715.57	-	15,922,903,196.89	-	52,719,521,597.52
1	Add: Changes of accounting policies	-	-	-	-	-638,000.00	-	-	-	-24,985,000.00	-	-25,623,000.00
2	Correction of prior period errors	-	-	-	-	-	-	-	-	-17,530,213.49	-	-17,530,213.49
3	Others	-	-	247,985.31	-	-	-247,830.08	-	-	-13,672,483.59	-	-13,672,483.59
4	Others	-	-	-4,806,787.37	-	-	-	-	-	15,880,387,828.17	-	-5,418,957.91
5	<b>II. Beginning balance of this year</b>	23,600,000,000.00	-	10,724,440,039.68	-	556,424,871.58	36,909,141.66	1,859,727,231.98	-	15,880,387,828.17	-	52,657,889,113.07
6	<b>III. Increase/ decrease for this year (Decrease listed with +, Increase listed with -)</b>	900,000,000.00	-	3,222,086,580.08	-	73,692,234.34	28,135,027.78	292,528,016.25	-	2,297,737,202.42	-	6,814,179,060.87
7	(1) Total comprehensive income	-	-	-	-	15,025,000.37	-	-	-	2,765,291,797.23	-	2,770,316,797.60
8	(1) Capital contribution and reduction from owners	900,000,000.00	-	3,222,086,580.08	-	58,667,233.97	-	-	-	-38,202,238.19	-	4,142,551,575.86
9	1.Common shares contributed by owners	900,000,000.00	-	1,624,353,119.09	-	-	-	-	-	-	-	2,524,353,119.09
10	2.Capital contributed by holders of other equity instrument	-	-	-	-	-	-	-	-	-	-	-
11	3.Amounts of share-based payments recognized in owner's equity	-	-	-	-	-	-	-	-	-	-	-
12	4.Others	-	-	1,597,733,460.99	-	58,667,233.97	-	-	-	-38,202,238.19	-	1,618,198,456.71
13	(III) Provision and utilisation of special reserves	-	-	-	-	-	-	-	-	-	-	-573,415,251.82
14	1.Provision for special reserve	-	-	-	-	-	28,135,027.78	-	-	-	-	2,955,899.38
15	2.Utilisation of special reserve	-	-	-	-	-	167,245,716.49	-	-	-	-	167,245,716.49
16	(IV) Profit distribution	-	-	-	-	-	-139,110,748.71	-	-	-	-	-139,110,748.71
17	1.Appropriation to surplus reserves	-	-	-	-	-	-	292,528,016.25	-	-419,352,356.62	-	-126,824,340.37
18	Including: Statutory surplus reserve	-	-	-	-	-	-	292,528,016.25	-	-292,528,016.25	-	-
19	Discretionary surplus reserves	-	-	-	-	-	-	-	-	-	-	-
20	#Reserve fund	-	-	-	-	-	-	-	-	-	-	-
21	#Enterprise expansion fund	-	-	-	-	-	-	-	-	-	-	-
22	#Profits capitalized on return of investments	-	-	-	-	-	-	-	-	-	-	-
23	2.Provision for general risks	-	-	-	-	-	-	-	-	-	-	-
24	3.Profit distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-126,447,700.00	-	-126,447,700.00
25	4.Others	-	-	-	-	-	-	-	-	-376,640.37	-	-376,640.37
26	(V) Transfers within owner's equity	-	-	-	-	-	-	-	-	-	-	-18,016,347.02
27	1.Transfers from capital reserves to parent capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-4,659.81
28	2.Transfers from surplus reserves to parent capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
29	3.Surplus reserves making up of losses	-	-	-	-	-	-	-	-	-	-	-
30	4.Settlement and transfer of the change in remeasurement of net liabilities or net assets of defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
31	5.Others	-	-	-	-	-	-	-	-	-	-	-
32	<b>IV. Ending balance of this year</b>	24,500,000,000.00	-	13,946,526,619.76	-	630,117,105.92	65,044,169.44	2,152,255,246.23	-	18,178,125,030.59	-	59,472,066,173.94

Accounting Director:

Accounting Manager:

# Statement of Changes in Shareholder's Equity of the Parent Company

For the year of 2016

Prepared by: China State Shipbuilding Corporation

Unit: RMB

Line	Item	This year										Minority shareholder's equity	Total equity
		Par-in capital (or Share capital)	Other equity instrument	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	for general risks	Undistributed profit	Others	Subtotal	
—	Column	1	2	3	4	5	6	7	6	9	10	11	13
I, Balance at the end of last year		24,500,000,000.00		5,415,383,588.78		5,027,084.74		2,165,927,731.82					44,141,025,702.02
Add: Changes of accounting policies													
Correction of prior period errors													
Others													
II, Beginning balance of this year		24,500,000,000.00		5,415,383,588.78		5,027,084.74		2,165,927,731.82					47,912,957,672.20
III, Increase/Decrease for this year (Decrease listed with minus, increase listed with plus)		1,000,000,000.00		2,006,675,672.22		182,945,021.12		177,884,591.40		1,449,311,422.57		6,778,607,642.40	6,778,607,642.40
(1) Total comprehensive income						182,945,021.12				1,778,845,913.97		1,961,790,935.09	1,961,790,935.09
(II) Capital contribution and reduction from owners		1,000,000,000.00		2,006,675,672.22								3,006,675,672.22	3,006,675,672.22
1.Common shares contributed by owners		1,000,000,000.00		2,006,675,672.22								3,006,675,672.22	3,006,675,672.22
2.Capital contributed by holders of other equity instrument													
3.Amounts of share-based payments recognized in owner's equity													
4.Others													
(III) Provision and utilisation of special reserves													
1.Provision for special reserve													
2.Utilisation of special reserve													
(IV) Profit distribution													
1.Appropriation to surplus reserves								177,884,591.40		-329,534,491.40		-151,649,900.00	-151,649,900.00
Including: Statutory surplus reserve								177,884,591.40		-177,884,591.40			
Discretionary surplus reserves													
#Reserve fund													
#Enterprise expansion fund													
#Profits capitalized on return of investments													
2.Provision for general risks													
3.Profit distributed to owners (or shareholders)										-151,649,900.00		-151,649,900.00	-151,649,900.00
4.Others													
(V) Transfers within owner's equity													
1.Transfers from capital reserves to par-in capital (or share capital)													
2.Transfers from surplus reserves to par-in capital (or share capital)													
3.Surplus reserves making up of losses													
4.Settlement and transfer of the change in remeasurement of net liabilities or net assets of defined benefit plans													
5.Others													
IV, Ending balance of this year		25,500,000,000.00		7,422,059,261.00		187,972,105.86		2,343,812,323.22					16,035,783,148.33
Legal Representative:													48,957,842,409.33

Accounting Manager:

Accounting Director:



# Statement of Changes in Shareholder's Equity of the Parent Company (Continued)

For the year of 2016

Prepared by: China State Shipbuilding Corporation

Unit: RMB

Item	Line	Last year										Minority shareholders' equity	Total equity
		Part in capital (or Share capital)	Other equity instrument	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	for general risks	Undistributed profit	Others	Subtotal	
Column	—	1		2	3		4	5	6	7	8	9	11
<b>I. Balance at the end of last year</b>	1	23,600,000,000.00	-	3,791,030,469.69	-	5,167,189.98	-	1,873,399,715.57	-	9,548,382,850.42	-	38,817,980,225.66	38,817,980,225.66
Add: Changes of accounting policies	2	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	3	-	-	-	-	-	-	-	-	-	-	-	-
Others	4	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Beginning balance of this year</b>	5	23,600,000,000.00	-	3,791,030,469.69	-	5,167,189.98	-	1,873,399,715.57	-	9,548,382,850.42	-	38,817,980,225.66	38,817,980,225.66
<b>III. Increase/Decrease for this year (Decrease listed with minus)</b>	6	900,000,000.00	-	1,624,353,119.09	-	-140,105.24	-	292,528,016.25	-	2,506,304,446.26	-	5,323,045,476.36	5,323,045,476.36
(1) Total comprehensive income	7	—	—	—	—	-140,105.24	—	—	—	2,975,280,162.51	—	2,925,140,057.27	2,925,140,057.27
(II) Capital contribution and reduction from owners	8	900,000,000.00	-	1,624,353,119.09	-	-	-	-	-	-	-	2,524,353,119.09	2,524,353,119.09
1.Common shares contributed by owners	9	900,000,000.00	—	1,624,353,119.09	—	—	—	—	—	—	—	2,524,353,119.09	2,524,353,119.09
2.Capital contributed by holders of other equity instrument	10	-	-	-	-	-	-	-	-	-	-	-	-
3.Amounts of share-based payments recognized in owners' equity	11	-	—	—	—	—	—	—	—	—	—	—	—
4.Others	12	-	—	-	-	-	-	-	-	-	-	-	-
(III) Provision and utilisation of special reserves	13	-	—	—	—	—	-	—	—	—	—	-	-
1.Provision for special reserve	14	—	—	—	—	—	—	—	—	—	—	-	-
2.Utilisation of special reserve	15	—	—	—	—	—	—	—	—	—	—	-	-
(IV) Profit distribution	16	-	-	-	-	-	-	292,528,016.25	-	-418,975,716.25	-	-126,447,700.00	-126,447,700.00
1.Appropriation to surplus reserves	17	—	—	—	—	—	—	292,528,016.25	—	-292,528,016.25	—	-	-
Including: Statutory surplus reserve	18	—	—	—	—	—	—	292,528,016.25	—	-292,528,016.25	—	-	-
Discretionary surplus reserves	19	—	—	—	—	—	—	-	—	-	—	-	-
#Reserve fund	20	—	—	—	—	—	—	-	—	-	—	-	-
#Enterprise expansion fund	21	—	—	—	—	—	—	-	—	-	—	-	-
#Profits capitalized on return of investments	22	—	—	—	—	—	—	-	—	-	—	-	-
2.Provision for general risks	23	—	—	—	—	—	—	—	—	-	—	-	-
3.Profit distributed to owners (or shareholders)	24	—	—	—	—	—	—	—	—	-126,447,700.00	—	-126,447,700.00	-126,447,700.00
4.Others	25	-	-	-	-	-	-	-	-	-	-	-	-
(V) Transfers within owner's equity	26	-	-	-	-	-	-	-	-	-	-	-	-
1.Transfers from capital reserves to part in capital (or share capital)	27	-	-	-	-	-	-	—	—	—	—	-	-
2.Transfers from surplus reserves to part in capital (or share capital)	28	-	—	—	—	—	—	-	—	—	—	-	-
3.Surplus reserves making up of losses	29	—	—	—	—	—	—	-	—	-	—	-	-
4.Settlement and transfer of the change in remeasurement of net liabilities or net assets of defined benefit plans	30	—	—	—	—	—	—	—	—	-	—	-	-
5.Others	31	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Ending balance of this year</b>	32	24,500,000,000.00	-	5,415,383,588.78	-	5,027,084.74	-	2,165,927,731.82	-	12,054,687,296.68	-	44,141,025,702.02	44,141,025,702.02

Accounting Manager:

Accounting Director:

## **I、Basic information of the Company**

### **(I) The registration address, organizational form and the headquarters address of the Company**

China State Shipbuilding Corporation (hereinafter referred to as 'the Company', and uniformly referred to as "the Group" when including the subsidiaries), which was separated and restructured by the previous China Shipbuilding Industry Corporation, with the approval of the State Council, was established on July 1, 1999 and is a central enterprise directly managed by State-owned Assets Supervision and Administration Commission (SASAC) of the State Council. On April 9, 2015, the Company obtained the reissued enterprise legal person business license No. 100000000031917 from the State Administration for Industry of Shanghai, with the registered capital of RMB 22 billion, as an enterprise owned by the whole people. The legal representative is: Dong, Qiang. The registered address is: No. 1 Pudong Avenue, Pudong District, Shanghai. The address of the headquarters is: No.9 South Shou ti Road, Haidian District, Beijing.

### **(II) The nature of the business and the main business activities of the Company**

The Group belongs to the metallic shipbuilding industry. The main business scope includes: investment and operating management of state-owned assets; investment projects of ships and marine engineering; aquatic and underwater ship weapons, civilian ships, marine equipment, marine engineering equipment, research, design, development, manufacture, repair, lease, and sales of machinery and electronic equipment; technology development of transforming marine technology and equipment into land type technology and equipment; outside shipping repair; property management; self-operation and agency of the import and export business of all kinds of goods and technology (except the goods and technology which the nation restricts the operation by the Company or which are prohibited to be imported and exported); operating import material processing and the 'three to fill one' business (which means that accepting customers' materials for processing, processing according to buyer's samples, and assembling parts supplied by clients and compensation trade); operating counter trade and entrepot trade; contracting overseas marine engineering projects and domestic international tendering engineering projects; dispatching service laborers for implementing the above overseas projects; technology development, technology transfer, technical services, and technical consultation. The main products of the Group include all kinds of marine equipment for military use, general oil carriers, all kinds of civilian ships and facilities such as bulk cargo carriers, chemical cargo ships, Ro-Ro passenger ships, large container ships, large liquefied gas tankers, large self-unloading ships, high speed ships, liquefied natural gas ships, and ultra-large scale oil tankers, etc., and ocean engineering projects such as ultra deepwater semi submersible drilling platforms, self-lifting type drilling platforms, large offshore floating production oil storage vessels, multi cables geophysical prospecting ships, deepwater engineering survey

vessels, large scale semi submersible vessels, and subsea pipeline laying vessels, which are mainly used in the fields such as marine defense, marine transportation, marine development, and marine scientific research, etc.

(III) The parent company and the name of the Group headquarters

The State Council exercises the rights of the contributors in accordance with the laws, the administrative regulations and the articles of association of the Company to ensure that the Company enjoys the operational autonomy in accordance with the laws, grants the authorization to the board of directors of the Company in accordance with the relevant provisions to exercise part of the powers of the contributors to decide on important matters of the Group corporation. The functional departments of the headquarters of the Company include: the general office, policies and regulations department, planning and development department, operation management department, human resources department, accounting and finance department, science and technology department, military-industrial department, ships and marine engineering department, power and electrical machinery department, recently emerging industries department, quality and safety department, audit department, supervision department, party-masses relationship work department, work of retired cadres and workers department, etc. The subsidiaries included in the scope of consolidation consist of 41 level two subsidiaries, 145 level three subsidiaries, 104 level four subsidiaries, 15 level five subsidiaries and 1 level six subsidiaries.

(IV) Approval of the issuance of the financial statements

The party who approved the issuance of the financial statements of the Group was the Broad of Directors. The approved date of issuance is April 27, 2017.

(V) Operating period

From June 29, 1999 to unagreed time limit.

**II、Basis of preparation of the financial statements**

The financial statements of the Group have been prepared on a going concern basis and based on actual transactions and events, in accordance with “Accounting Standards for Business Enterprises” and related regulations issued by the China Ministry of Finance and the accounting policies and estimates stated in the Note IV “Principal accounting policies and accounting estimates”.

**III、Statement of compliance of Accounting Standards for Business Enterprise**

The financial statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises, and present truly and completely the Company

and the Group's financial position, operating performance and cash flows and other related information.

#### IV、Principal accounting policies and accounting estimates

**Special notes: except for the specifically noted accounting policies related to ‘Accounting Systems of State-run Institutions Conducting Military Industry Scientific Research’ and ‘Accounting Systems of Higher Educational Institutions’ which are implemented by the affiliated state-run institutions, other notes are all accounting policies related to ‘Accounting Standards for Business Enterprises’, which are implemented by enterprises.**

##### (I) Accounting period

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

##### (II) Recording currency

The recording currency of the Group and other subsidiaries is Renminbi (“RMB”), except the following subsidiaries:

Unit name	Recording currency
China Shipbuilding Trading Co., Ltd (BVI)	USD
Flygt Shipping Co. Ltd.	USD
China Shipping New Energy (Singapore) Co. Ltd.	USD
China Shipbuilding Logistics (Hongkong) Co., Ltd.	USD
CEL Holding Company limited	USD
CSZ Shipping Company Limited	USD
CSH Shipping Company Limited	USD
CS Shipping Company Limited	USD
CSHA Shipping Company Limited	USD
CSHB Shipping Company Limited	USD
Hualian Shipping Co., Ltd.	HKD
Pan-China Equipment Co. Ltd.	HKD
Hua Guang Development Co. Ltd.	HKD
Hongkong Marvy Co., Ltd.	HKD
The Only Low-Cost International Co. Ltd.	HKD
Huachang International Shipping Co. Ltd.	HKD
CP Global Holdings Company	HKD
China Ship (Hongkong) Shipping Leasing Co. Ltd.	HKD
Rui Lin Marine Engineering Co., Ltd.	HKD
Chabridge Shipping Co. Ltd.	HKD
Winterthur Gas & Diesel AG	CHF

(III) Basic of accounting and the principles of measurement

The Group adopts the accrual basis as the basis of accounting. Historical cost is the measurement principle except for the measurement of trading financial assets and available-for-sale financial assets, which are measured at the fair value.

(IV) Business combination

With the Group as the acquirer, for assets and liabilities acquired from a business combination under common control, such assets and liabilities are measured at the book value of the acquired party in the consolidated financial statements of the ultimate controlling party on the date of consolidation. The difference between the book value of the net assets obtained and the book value of the combination consideration paid is adjusted against the capital reserve. If the capital reserve is insufficient to be written-off, retained earnings is adjusted.

The identifiable assets, liabilities and contingent liabilities of the acquired party acquired from the acquisition not under common control are measured at the fair value on the date of acquisition. The cost of acquisition is the total amount of the fair value of cash or non-cash assets, liabilities issued or assumed, equity investments issued, and all kinds of directly related expenses incurred in the business combination paid to obtain the controlling right of the acquired party. (For the business combination realized through multiple steps, the acquisition cost is the total cost of each individual transaction.) The difference by which the cost of combination exceeds the entitled portion of the fair value of the obtained identifiable net assets of the purchased party is recognized as goodwill. Where the acquisition cost is less than the entitled portion of the fair value of the obtained net identifiable assets in the acquiree, the Group first reviews the fair value of each identifiable asset, liability and contingent liability obtained in the combination, and the fair value of the non-cash asset or equity securities issued as the consideration of the acquisition. After review, if the acquisition cost is still less than the fair value of the obtained identifiable net assets of the purchased party, the Group recognizes the difference into the current period non-operating income.

(V) Preparation method of consolidated financial statements

1. Principles to determine the scope of the consolidation

The Group includes all the controlled subsidiaries into the scope of the consolidated financial statements.

2. Principles, procedures and method to prepare the consolidated financial statements

Regarding the preparation of the consolidated financial statements, if the accounting policies or the accounting period of the subsidiary is not consistent with those of the Company, necessary adjustments are made to the financial statements of the subsidiary according to the accounting policies or the accounting period of the Company.

All the significant internal transactions, related parties receivables and payables, and unrealized profits within the consolidation scope are offset when the consolidated financial statements are prepared. The portion in the shareholder's equity of the subsidiary not attributable to the parent Company and the portion of current period net profits or loss, other comprehensive income and total comprehensive income of the subsidiary attributable to the non-controlling shareholders' equity, are separately listed under the items of "non-controlling shareholder's equity, net profit or loss of non-controlling shareholders, other comprehensive income attributable to non-controlling interest, and total comprehensive income attributable to non-controlling interest" of the consolidated financial statements.

For subsidiaries acquired from the business combination under common control, the operational results and the cash flows of the subsidiary are included in the consolidated financial statements since the beginning of the current period of the consolidation. When preparing the comparative consolidated financial statements, the Group makes adjustments to the related items in the last year financial statements, deemed as though the reporting entity formed after the acquisition has been existed since the time point when the ultimate controlling party started to control.

At the situation where the Group obtains the share rights of the invested entity under common control through multiple steps to realize the business combination ultimately, when preparing the consolidated financial statements, it is deemed that the adjustments are made as though the current status has been existed since the ultimate controlling party started to control. When preparing the comparative financial statements, taking the time point not earlier than the time when the Group and the acquired party are under the common control of the ultimate controlling party, the Group includes the related assets and liabilities of the acquired party into the comparative financial statements of the Group, and adjusts the net assets increased from the combination into the related items under the sector of shareholder's equity of the comparative financial statements. To avoid the double calculation of the net assets value of the acquired party, the long term equity investments held by the Group, the recognized profits and losses, and the changes in the other comprehensive and other net assets between the later of the two dates: the date of acquiring the original share right, and the date when the Group and the acquired party are under the control of the same ultimate party, should be off-set against the beginning balance of the retained earnings and the current profit or loss of the period of the comparative financial statements separately.

For subsidiaries acquired from the business combination not under common control, the operating results and cash flows since the date when the Group obtains the controlling right are included in the consolidated financial statements. When preparing the consolidated financial statements, the Group makes adjustments on the financial statements of the subsidiary based on

the fair value of each identifiable asset, liability and contingent liability determined on the date of acquisition.

For the situation where the Group obtains the share rights in the invested entity not under common control through multiple steps of transactions, and forms the business combination ultimately, when preparing the consolidated financial statements, as to the share rights in the purchased party held before the date of acquisition, the share right should be remeasured based on its fair value on the date of acquisition. The difference between the fair value and its book value should be recognized into the current profit or loss. The other comprehensive income recognized under the equity method, and other changes in the shareholder's equity caused not by changes in net profits and losses, other comprehensive income and profit distribution, related to the share rights in the acquired party held before the date of acquisition are recognized into the current profit or loss in the period when the date of acquisition is belonged to, except for the other comprehensive income generated from the change in net liabilities or net assets due to the remeasurement of defined benefit plans of the invested party.

For a transaction in which the Group disposes a portion of the long term equity investment but not losing the control of the subsidiary, when preparing the consolidated financial statements, the Group makes adjustments to the capital premium or share premium to reflect the difference between the consideration of disposal and the entitled portion of the net assets in the subsidiary calculated continuously since the date of acquisition or the date of combination related to the long term equity investment disposed. If the capital reserve is insufficient to be offset, the retained earnings are adjusted.

For the situation of losing the controlling right to the invested party due to reasons such as disposing a portion of the share right, when preparing the consolidated financial statements, for the rest share right, the Group remeasures the investment according to the fair value on the date when the Group loses the controlling right. The difference from the total value of the consideration received from disposal plus the fair value of the rest share right minus the entitled portion of the net assets of the subsidiary by continually calculating starting from the date of acquisition or the date of combination according to the original shareholding percentage. Meanwhile, goodwill is written off. The other comprehensive income related to the original equity investment in the subsidiary should be transferred into the current period investment income when losing the controlling right.

For the situation of losing controlling right by multiple steps of transactions to dispose the share right in a subsidiary by the Group, if each transaction of disposing the equity investment in the subsidiary until losing the controlling right belongs to a package deal, the Group treats all the transactions as one transaction of disposing the subsidiary until losing the controlling right. However, the difference between each disposal consideration and the entitled portion of the net assets in the subsidiary of each transaction happened before losing the controlling right should

be recognized as other comprehensive income in the consolidated financial statements and are transferred into current profits and losses when losing the controlling right.

(VI) Classification of joint venture arrangement and the accounting method of joint operation

The joint venture arrangement of the Group includes joint operation and joint venture enterprises. For the project of joint operation, as the joint operating party of the joint venture arrangement, the Group recognizes the assets separately owned and assumed liabilities, and recognizes the assets held and liabilities assumed according to the portion. According to the related agreement, the Group recognizes the related income and expense separately or by portion. For the transactions incurred with the joint venture operation of purchase and sales of the assets not consisting of business, only recognize the profits and losses generated due to such transaction attributable to the portion of other parties in the joint venture operation.

(VII) Standard to determine the cash and cash equivalents

Cash in the Group's cash flow statement represents cash on hand and deposits that can be readily draw on demand. Cash equivalents in the cash flow statement represent highly liquid investments with a holding period no longer than 3 months, and that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

(VIII) Foreign currency business and translation of foreign currency financial statements

1.Foreign currency transactions

Foreign currency transactions of the Group are translated into RMB amount at the spot exchange rate on the date when the transaction happens. On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. The exchange difference generated is all recognized into current profit or loss, except for:

- (1) that the exchange difference caused by special funds borrowed to purchase, construct or produce assets qualified for capitalization, is treated according to the principle of capitalization;
- (2) that the exchange difference from the hedge instrument executed to avoid the risk of foreign exchange is treated according to the accounting method of hedge.

2.Translation of foreign currency financial statement

For the financial statements of overseas operating entities included in the scope of consolidation, the Group translates them into RMB financial statements to prepare the financial statements.

- (1) The asset and liability items of the foreign currency balance sheet are translated in accordance with the spot exchange rate on December 31, 2016; Owners' equity items except for 'retained earnings' are translated according to the spot exchange rate when the business incurs.



(2) The income and expense items of income statement are translated in accordance with the average spot exchange rate of January 1, 2016 and December 31, 2016.

(3) The above translation differences generated from the translation of foreign currency financial statements are listed separately in the items of owners' equity.

(4) Foreign currency cash flows are translated in accordance with the average amount of the spot exchange rate on January 1, 2016 and December 31, 2016. The impact of exchange rate changes on cash is presented separately in the statement of cash flows.

(IX) Financial assets and financial liabilities

1. Financial assets

A financial asset or a financial liability is recognized when the Group becomes a party of a financial instrument contract.

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

The Group classifies the owned financial assets into financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, receivables and available-for-sale financial assets based on the purpose of investments and the economic nature.

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated at fair value through profit or loss. The Group classifies a financial asset qualified for one of the following conditions as a trading financial asset: the purpose to acquire the financial asset is for sale within a short period; the financial asset belongs to a portion of an indentifiable financial instrument portfolio managed collectively, and object evidence indicates that the Group adopts the method of obtaining short term profits to manage the portfolio recently; The financial asset belongs to the derivative instrument, but a derivative instrument is excluded if the instrument is designated as a derivative instrument of effectively hedging instrument, which belongs to a derivative instrument of financial guaranty contract, and which is pegged to an equity instrument which does not have a quotation in an active market and of which the fair value cannot be measured reliably, and that the equity instrument must be delivered in the settlement of the derivative instrument. Only when a financial asset is qualified with one of the following conditions can the Group designates such asset as a financial asset at fair value through profit or loss when initially recognized: namely, such designation can eliminate or significantly reduce the situation of inconsistency in the recognition or measurement of related gain or loss resulted from the difference of measurement basis of such financial asset; The formally written document of the Group of risk management or investment strategy has indicated that the portfolio of the financial instrument is managed, evaluated and reported to the key management staff based on fair value; Includes one or multiple hybrid instruments embedded in the derivatives, unless the embedded derivative instrument does not significantly change the cash flow of the hybrid instrument, or the embedded instrument obviously should

not be split from the related hybrid instrument; Includes hybrid instrument embedded into derivative instrument which needs to be split but cannot be measured separately at the time of acquisition or the subsequent balance sheet date. Such category of financial assets designated by the Group mainly includes stocks, funds and partial foreign currency forward contracts. For this category of financial assets, the Group adopts fair value for the subsequent measurement. The change in fair value is recognized into the profit or loss from changes in fair value. The interest or cash dividend received when holding the asset is recognized as investment income. When disposed, the difference between the fair value and the initial entry value is recognized as profit or loss from investment and the profit or loss from changes in fair value is adjusted at the same time.

Held-to-maturity investments refer to the non-derivative financial assets with fixed date of maturity and fixed or determinable recoverable amount that the Group has a positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective rate of interest method. The gain or loss generated from amortization, or impairment and de-recognition is all recognized into current profit or loss.

Receivables refer to the non-derivative financial assets with fixed or determinable recoverable amount that do not have a quotation in an active market. Receivables are subsequently measured at amortized cost using the effective rate of interest method. The gain or loss generated from amortization, or impairment and de-recognition is all recognized into current profit or loss.

Available-for-sale financial assets refer to the non-derivative financial assets that are either designated as available-for-sale financial assets and financial assets not classified into other categories. In the category of such assets, the equity instrument investments which do not have a quotation in an active market and the fair value cannot be reliably measured and the derivative financial assets which are pegged to such equity instrument and must be settled by the delivery of such equity instrument are subsequently measured at costs. Other assets which have a quotation in the active market or although do not have an active market quotation but the fair value of such asset can be reliably measured are measured according to the fair value. The change in fair value is recognized into other comprehensive income. For such category of financial assets which the fair value is adopted to conduct the subsequent measurement, except for the impairment loss and the exchange gain or loss generated from the foreign currency monetary financial assets, the changes in fair value of available-for-sale is directly recognized into shareholder's equity. When the financial assets are de-recognized, the accumulative amount of changes in fair value previously recognized into equity is transferred into current profit or loss. Interests of available-for-sale debt instrument calculated according to the effective rate of interest method during the holding period and the cash dividends declared and distributed by the invested entity related to the investments of available-for-sale equity instrument are recognized

as investment income into current profit or loss. The equity instrument investments which do not have a quotation in an active market and the fair value cannot be reliably measured are measured at costs.

(2) Determination basis and measurement method of financial asset transfer

Financial assets meeting one of the following conditions shall be de-recognized: ① the contract right to collect the cash flows of the financial asset has been terminated; ② the financial assets have been transferred and the Group has substantially transferred all the risks and rewards on the ownership of the financial asset to the party of transferee; ③ the financial assets have been transferred, although the Group has neither transferred nor retained almost all the risks and rewards on the ownership of the financial asset, the Group has waived the control over the financial assets.

Where the Company neither transfers nor retains almost all the risks and rewards on the ownership of the financial asset, if the control over the financial assets is also not waived, then the relevant financial assets should be recognized according to the extent to which the Company continuously involves in the transferred financial assets, and the relevant liabilities should be recognized correspondingly.

If the entire transfer of the financial assets meets de-recognition conditions, the difference between the book value of the transferred financial assets and the sum of the consideration received from the transfer and the accumulated amount of changes in fair value previously recognized in other comprehensive income should be recognized into current profit or loss.

Where the partial transfer of the financial assets meets the de-recognition conditions, the carrying amount of the transferred financial assets should be allocated between the derecognized and non-derecognized portions according to their corresponding fair value respectively; and the balance between the sum of the consideration received from the transfer and the accumulative amount of changes in fair value which was previously recognized into other comprehensive income of the derecognized portion and the aforementioned allocated carrying amount should be recognized into current profit or loss.

(3) Test method and accounting treatment method of financial asset impairment

The Group examines the book value of other financial assets other than the financial assets at fair value through profit or loss at the balance sheet date. Impairment provision of financial assets is accrued when objective evidence indicates that an item of financial asset incurs impairment.

When the financial assets measured at amortized cost incurs impairment, the impairment provision is accrued at the difference by which the present value of its estimated future cash flows (excluding future credit loss that has not incurred) is lower than the book value. If there is objective evidence indicating that the value of the financial asset is recovered and the recovery

is objectively related to matters incurred after the impairment was recognized, the previously recognized impairment loss is reversed and recognized into current profit or loss.

When the financial assets available for sale incurs a decline in the fair value to relatively large degree or a non-temporary decline, the accumulated loss that was directly recorded in shareholder's equity previously formed due to the decline of fair value are transferred out and recognized as impairment loss. For the available-for-sale investment on debt instruments on which the impairment loss has been recognized, if in the subsequent period, its fair value increases and the increase is objectively related to an event incurred after the impairment loss was recognized, the previously recognized impairment loss is reversed and recognized into current profit or loss. For an investment in an equity instrument classified as available-for-sale equity on which impairment loss has been recognized, the increase in its fair value in a subsequent period is directly recognized into shareholder's equity. The impairment loss accrued on equity instrument investments which do not have quotations in an active market and the fair value cannot be reliably measured cannot be reversed in the subsequent period.

Recognition criteria of the impairment of available-for-sale equity instruments: On the balance sheet date, the available for sale financial asset impairs if any of the below situations is met, and the impairment provision is accrued at the amount by which the fair value is lower than the acquisition cost and recognized in the current profit or loss: ① The fair value is lower more than 40% of the acquisition cost on the balance sheet date (with the temporary loss more than 60%). ② At the balance sheet date, the fair value at the end of each month are lower than 70% of acquisition cost or more for 6 consecutive months (with the temporary loss more than 30%). ③ At the balance sheet date, the fair value at the end of each month is lower than 80% of acquisition cost or more (with the temporary loss more than 20%) for 24 consecutive months.

The second-level investment companies that sign agreements with commercial banks, securities companies, trust companies to purchase financial assets, such as financial products, asset management plans, trust schemes, etc., which are recognised according to the amortized cost, should implement impairment tests for each product at the date of balance sheet. For products with no impairment evidence during the aforementioned tests, impairment provision should be accrued according to 1-5% of the ending balance of those financial assets.

The second-level financial companies that sign agreements with commercial banks, securities companies, trust companies to purchase financial assets, such as financial products, asset management plans, trust schemes, etc., which are recognised according to the amortized cost, should implement impairment tests for products which are individually significant at the date of balance sheet. For those products with no impairment evidence during the aforementioned tests, impairment provision should be accrued according to the market situation, from 5-35%, of the ending balance of them by investment portfolio.

## 2. Financial liabilities

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

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

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities at fair value through profit or loss designated at the initial recognition. For such financial liabilities, subsequent measurement should be performed based on fair value. Gains or losses arising from the changes of fair value as well as the dividend and interest expenditures related to the financial liabilities should be included into current profit or loss.

Other financial liabilities, which are mainly accounts payable generated from purchase of goods, long-term and short-term loans, long-term payables, etc. are subsequently measured at amortized cost using the effective rate of interest method.

### (2) Conditions to terminate the recognition of financial liabilities

Where the current obligation of financial liability has been terminated entirely or partially, the Group terminates the recognition of such financial liabilities or obligations of the released part. For the situation when the Company signs agreements between the creditors, to replace the currently existed financial liabilities by the method of assuming new financial liabilities, and when the contract clauses of the new financial liabilities are different in nature with those of the current financial liabilities, stop to recognize the currently existed financial liabilities, and recognize a new financial liability at the same time. For the situation when the Company makes substantial amendments to all or part of the contract clauses of the currently existed financial liabilities, terminate the recognition of the currently existed financial liabilities or a portion of such liabilities, and recognize the financial liability after the change of the contract clauses as a new financial liability at the same time. The difference between the book value of the derecognized part and the paid consideration shall be included into current profit or loss.

## 3. Determination methods on fair value of financial assets and financial liabilities

The Group adopts the fair value of the prices in the primary market to measure financial assets and financial liabilities. When a primary market does not exist, use the most favorable market prices to measure the fair value of financial assets and financial liabilities, and adopt the valuation techniques which are applicable at that time and which are with the sufficient available date and other information to support. The input value used in fair value measurement is classified into three levels. Namely the first level input value is the unadjusted quotation in the active market which can be obtained on the date of measurement for the same assets or liabilities. The input value of the second level is the directly or indirectly observable input value of the related assets or liabilities other than the input value of the first level. The third level input value is the non-observable input value of the related assets or liabilities. The Group

preferably adopts the input value of the first level, and adopts the input value of the third level lastly. The first level input value is adopted for the stocks and funds. The second level input value is adopted for the foreign currency forward agreements. The level which the measurement results of fair value belong to is determined by the lowest level to which the input value that is significant to the entire fair value measurement belongs.

(X) Hedging instruments

The hedging business of the Group includes the fair value hedges, cash flow hedges, and net investment in overseas operation hedges. When the hedge business is qualified for the following conditions, recognize the result from off-setting the changes of fair value of hedge instrument and the hedged items during the same accounting period into current profit or loss.

1. When the hedge starts, a formal designation about the hedge relationship (namely, the relationship between the hedging instrument and the hedged item) is provided, and the formal written documents about the hedging relationship, the objectives of risk management and the hedging strategies are prepared. Such documents should at least state clearly the contents such as hedge instrument, the hedged item, the nature of the hedged risk and the evaluation method on the effectiveness of the hedge, etc. The hedge must be related to the risks which are specifically identifiable and are designated, and will impact the profit or loss of the enterprise ultimately;

2. Such hedge is expected to be highly effective, and is qualified for the risk management strategies originally determined by the Group for such hedging relationship;

3. For the cash flow hedges of the estimated transactions, the estimated transactions should be likely to happen, and must make the Group to face with the risks of cash flow changes which will impact the profit or loss ultimately;

4. The effectiveness of hedging can be measured reliably;

5. The Group continuously evaluates on the effectiveness of the hedge, and ensures that such hedge is highly effective during the accounting period in which such hedging relationship is designated.

To avoid the risk of foreign currency, the Group offsets as much as possible the risks generated due to the change of foreign exchange rate, namely the risks which the loss of foreign exchange rate cannot be locked and which the future revenue is uncertain, develops the finance derivative business (hedges) to lock the change of foreign exchange rate risk on the USD ship progress payment to be collected in the future period through the forward settlement of exchange (including the extension of forward settlement of exchange), fixes the exchange loss of the corporate USD revenue, and adopts the treatment method of hedge accounting.

The Group designates the hedged item as the determined commitment (the USD ship progress payment which will be collected in the future at a certain amount). The corresponding hedging instrument is the foreign currency forward contract signed with the counterparty banks to avoid the foreign exchange risks. The estimated fair value gain or loss on the foreign currency forward contract generated due to the changes of foreign exchange rate is offset the gain or loss of the determined commitment generated due to the exchange rate changes.

The Group takes the comparison method of the main clauses of the contracts (agreements) to make the prospective evaluation on the effectiveness of the hedges. At the end of the reporting period, the Group takes the ratio analysis method to make the retrospective evaluation on the effectiveness of the hedges.

(XI) Provision for bad debts on receivables

The Group adopts the following conditions as the criteria for provision for bad debts on receivables: the debtor entities are dissolved, bankrupt, insolvent, in significant difficulty in cash flows, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; debt entities are defaulted on the debt obligations for more than five years; other conclusive evidences indicating that the debts are indeed not recovered or not likely to be recovered.

The allowance method is adopted to measure the bad debt loss likely to incur. At the end of the period, impairment tests are implemented on individual or portfolio basis. Provision for bad debts is recognized into the current profit or loss. When there are conclusive evidences indicating that the receivable are indeed unable to be recovered, such receivable is treated as the loss of bad debts and is written off against the bad debt provision after such receivable is approved through the stipulated procedures by the Group.

1.Receivable that are individually significant and are provided for bad debts on individual basis

The judgment basis or the monetary threshold of individually significant amount	Balance reaches or exceeds RMB 1 million (shipbuilding enterprises) or RMB 300,000 (other enterprises) and signs of impairment existed; or balance reaches or exceeds 5% of the total balance of such class of receivables
The accruing method for receivables which are individually significant and are provided for bad debts on individual basis	Provision for bad debts is accrued according to the difference by which the present value of future cash flows is less than its book value

Note: The judgement standard of the individually significant receivables of the level two entity, CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) is: individual amount more than RMB 10 million. The judgement standard of the individually significant receivables of the level two entity, CSSC Steel Structure Engineering Co., Ltd (a listed company) is: receivables with the ending balance more than RMB 1 million and with the

evidence of impairment existed, or the ending balance greater than 5% of the total balance of receivables in the same category. The judgement standard of the individually significant receivables of the level two entity China CSSC Holdings Limited (a listed company) is: the top five clients according to the balance of accounts receivable.

2.Bad debts provision of accounts receivables are accrued according to the portfolios of credit risk characteristics

Basis to determine the portfolios	
Related party receivables	The amounts of related party receivables are classified to a portfolio by the credit risk characteristics
Receivables determined to be recoverable basically	Amounts such as recovered during the period subsequent to the balance sheet date, allowance receivable, and petty cash of workers, etc. which are determined to be recoverable basically or the risk of recoverability is minimal
Percentage of balance portfolio	The level two entity, CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) combines receivables that are individually tested to be not impaired with other receivables that are of individually insignificant amount into one portfolio
Receivables from state-run institutions	Receivables from state-run institutions are classified as a portfolio by the credit risk characteristics
Portfolio of aging	Classify the portfolios by taking the aging of receivables as the credit risk characteristics
Accrual method of bad debt provision by portfolios	
Related party receivables	If no evidence of impairment existed, the impairment test is not performed and no provision for bad debts is accrued. If the evidence of impairment existed, the impairment test is implemented and the provision for bad debts is accrued based on the amount by which the present value of future cash flows is less than its book value.
Receivables determined to be recoverable basically	No provision for bad debts is accrued
Percentage of balance portfolio	The level two entity CSSC Offshore and Marine Engineering (Group) Co., Ltd (a listed company) accrues the bad debt provision for the receivables individually tested to be not impaired, by combining such receivables with other receivables with individually insignificant amounts according to the 0.5% of the balances at the balance sheet date.
Receivables from state-run institutions	No provision for bad debts is accrued
Portfolio of aging	Bad debts provision is accrued according to the aging analysis method

Bad debts provision of receivables accrued according to the aging analysis method is as following:



<b>Aging</b>	<b>Accounts receivable (shipbuilding)</b>	<b>Accounts receivable (non-shipbuilding)</b>
Within 6 months (Including 6 months)	0%	0%
6-12 months (Including 12 months)	0.5%	0.5%
1-2 years (Including 2 years)	10%	30%
2-3 years (Including 3 years)	30%	60%
3-4 years (Including 4 years)	50%	100%
4-5 years (Including 5 years)	80%	
Over 5 years	100%	

Note: The accrual percentage of the level four enterprise CSSC Shenghui Equipment Co., Ltd is as following:

<b>Aging</b>	<b>Within 6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>Over 5 years</b>
<b>Percentage</b>	0%	5%	10%	30%	50%	80%	100%

3.Receivables that are of individually insignificantbut amount and for which bad debts provision are provided individually

Reason for accruing bad debts provision individually	Receivables that are individually insignificant in amount and when put into a combination, the risk characteristics of such receivables cannot be reflected sufficiently
Method of accruing bad debts provision	Accrue the provision for bad debts provision according to the balance of difference by which the present value of future cash flows is less than its book value,

## (XII) Inventories

The inventories of the Group mainly include raw materials, wrappages, low-valued consumables, work in process, finished goods and unsettled engineering projects, etc.

The perpetual inventory system is executed to the inventories. Inventories are measured at the actual cost when acquired; for inventories with the similar properties and uses, adopt the same cost calculation method to determine the cost of inventories delivered. For inventories which cannot be substituted for use, inventories acquired or manufactured for a specific project and the cost of providing services, the specific identification method is adopted to determine the cost of inventories issued. The weighted average method (moving weighted average method or one time weighted average method at the end of month) is generally adopted for other inventories. Under special circumstances where the situation is approved by the board of directors of the enterprise or the similar organ of authority and is put on record by reporting the case to the Group Corporation of CSSC, FIFO method can also be applied to determine the

actual cost. One-time-written-off method or five-five-split amortization method is adopted to amortize the turnover materials (including low-value consumables and packaging materials).

At the end of the period, inventory is measured according to the principles of the lower of the cost and the net realizable value. Accrued the inventory falling price provision on the portion of inventory cost expected to be uncollectible for the reasons such as the inventories which are suffered damages, entirely or partially obsolete, or which the selling price is lower than the cost. The inventory falling price provision on merchandise inventory and the bulk raw materials is accrued according to the difference by which the cost of each individual inventory is higher than the net realizable value. For raw and auxiliary materials which are large in quantities and with a relatively low unit price, the inventory falling price provision is accrued based on the category.

The net realizable value of these inventories, such as finished goods, work in process and materials for sale, is determined by deducting the estimated sales expenses and relevant taxes from the estimated selling price. The net realizable value of material inventories held for production is determined by deducting the cost estimated to incur until the completion, the estimated sales expense and the relevant tax and fees from the estimated selling price of the finished goods produced.

#### (XIII) Long-term account receivables

For the long-term receivables generated from sales of goods or rendering of service by adopting the deferred method with a nature of financing, the discounted present value of the price of contract or agreement (by deducting the unrealized finance income from the receivable contract or agreement price) should be taken as the initial entry value. Long term receivables generated from the financing lease, the initial entry value is the sum of the minimum lease receipts as at the lease starting date and the initial direct costs. Unrealized financing income is the difference between the total number of the minimum lease receipts, the initial direct costs and the non-guaranteed residual value and the sum of their present value.

At the end of the period, the long-term account receivables are individually tested for impairment. Recognize the impairment loss and accrue the bad debts provision according to the difference by which the present value of future cash flows is less than its book value.

#### (XIV) Long-term equity investments

1. Judgements to determine the control, joint control or significant influence over the invested entity

Long-term equity investments of the Group mainly include equity investments in entities over which the Group can implement control and significant influence; and the equity investments to its joint ventures.

Control refers that the Group has the right to the invested party by participating the related activities of the invested party to entitle the variable returns and has the ability to use its right over the invested party to affect the amount of return.

Joint control is the control jointly owned to a certain arrangement according to the related agreement, and the related activity under the arrangement must be unanimously agreed by the parties sharing the controlling right to be determined. Joint venture arrangement refers that an arrangement together controlled by two or more parties. A joint venture enterprise refers to a joint venture arrangement under which the parties are only entitled to the right of the net assets of the arrangement.

Significant influence refers to the situation when the investor has the power to participate in the decision-making of the financial and operating policies of invested party, but not able to control or jointly control, together with other parties, the formulation of these policies. The determination criteria of the significant influence mainly is that the Group designates representatives in the board of directors or the similar authority in the invested entity to implement the significant influence through the right to speak in the determination process of financial and operational policies in the invested entity to impact significant influence. When the Group directly or indirectly owned 20% or more but less than 50% of shares with voting rights in the investee company through subsidiaries, significant influence cannot be formed where there is objective evidence indicating that the Group is incapable of participating in the decision-making of operating policies in the invested entity. When determining whether can impact significant influence in the invested entity, the Group will not only consider the voting share in the invested entity directly or indirectly held, but also consider the potential voting right held by the Group and other parties which is conductible in the current period based on the assumption that the right is converted into the share equity right of the invested entity, such as the impact of convertible stock warrants which can be converted in the current period, stock options and the convertible corporate bonds, etc. issued by the invested entity.

## 2. Cost determination, subsequent measurement and profit or loss recognition method of long-term equity investments

The initial investment cost is determined according to the share entitled in the book value of the shareholder's equity of the acquired party in the consolidated financial statements of the ultimate controlling party on the date of acquisition by way of paying cash, transferring non-cash assets or assuming liabilities as the consideration of the combination. The difference between the initial investment costs and the cash paid, non-cash assets transferred and the book value of the liabilities assumed is adjusted to the share premium in the capital reserve. If the share premium in the capital reserve is insufficient to offset, then adjust the retained earnings.

When the Group issues the equity securities as the consideration of the combination, the initial investment cost is determined according to the share entitled in the book value of the

shareholder's equity of the acquired party in the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial investment cost of the long-term equity investment and the total face value of the share issued is adjusted to the share premium of the capital reserve. If the share premium in the capital reserve is insufficient to offset, then adjust the retained earnings.

For the business combination not under the common control: the Company adopts the cost of acquisition determined on the date of acquisition as the initial investment cost of the long-term equity investment.

The intermediary fees incurred for the business combination by the purchaser such as audit, legal service, and valuation and consulting fees and other related management fees are recognized into current profit or loss when incurred. The transaction costs incurred for issuing the equity securities or debt securities as the combination consideration should be recognized into the initial recognized amount of the equity securities or the debt securities.

For long-term equity investments acquired by way other than the aforementioned methods, for the long-term equity investments acquired by paying cash, the purchase price actually paid is adopted as the investment cost. For long-term equity investment acquired by issuing equity securities, the fair value of the equity securities issued is adopted as the investment cost. For long-term equity investments injected by the investors, the investment cost is determined as the agreed value stipulated in the investment contracts or agreements. For long-term equity investments acquired by way of debt restructuring, non-monetary assets exchange, etc. the investment cost is determined according to the stipulations of the related accounting standards.

The Group adopts the cost method to measure the long-term equity investments over which the Group can conduct control to the invested entities. For joint ventures and associate enterprises, the Group adopts the equity method for the measurement.

When adopting the cost method in measurement, the long-term equity investments are valued at the initial investment cost, and adjustments are made to the cost of the long-term equity investment when additional capital is made or capital is withdrawn. The declared and distributed profit or cash dividend is recognized as investment income.

When using the equity method, the difference by which the initial investment cost is greater than the entitled fair value of the identifiable net assets in the invested entity shall not be adjusted to the initial investment cost of the long-term equity investment. If the difference by which the initial investment cost is less than the entitled fair value of the identifiable net assets in the invested entity, the difference is recognized into current profit or loss. Meanwhile, the investment cost of long-term equity investment is adjusted. After acquiring the long-term equity investments, according to the entitled or shared portion of the net profit or loss and other comprehensive income in the invested entity, the Group recognizes investment income and

other comprehensive income respectively. Meanwhile, the Group adjusts the book value of the long-term equity investments. For the entitled portion calculated by the investors in accordance with the declared and distributed profits or cash dividends by the invested company, reduce the book value of the long-term equity investment accordingly. For the other changes in the shareholder's equity except for the net profit or loss, other comprehensive income and profit distribution in the invested company, adjustments are made to the book value of the long-term equity investment and are recognized into the shareholder's equity. When recognizing the entitled share in the net profit of the invested entity, adopting the fair value of each identifiable asset in the invested entity as the basis, according to the accounting policies and accounting period of the Group, adjustments are made to the net profit of the invested entity, and the unrealized profit or loss in the internal transactions between joint ventures and associate enterprises is offset according to the portion attributable to the investor enterprise which is calculated based on the entitled portion in the invested entity to recognize the investment income.

### 3.Change in the long-term equity investments

For the situation where the Group can conduct joint control or significant influence but not constituting control due to reasons such as making an additional investment, the fair value of equity investment in the available-for-sale financial assets previously held plus the newly added cost of investment is recognized as the initial investment cost under the equity method. The difference between the fair value and the book value, and the accumulated change in fair value previously recognized into the other comprehensive income is transferred into the current profit or loss under the equity method. Regarding the difference between the aforementioned initial investment cost calculated, and the fair value of the identifiable net assets entitled in the invested entity at the date of contributing the additional investments which is calculated according to the new shareholding ratio after making the additional capital investment, if the former amount is greater than the latter amount, no adjustment is made to the book value of the long-term equity investment. If the former amount is less than the latter amount, the difference is adjusted to the book value of the long-term equity investment and is recognized into the current period non-operating revenue.

For the long-term equity investments over which the Group can conduct control to the invested entity not under common control due to reasons of making an additional investment, when preparing the individual financial statements, the Group adopts the book value of the equity investment previously held plus the newly added investment cost as the total amount of the initial investment cost when changed to the measurement under the cost method. When disposing the investment, the other comprehensive income recognized under the equity method of the equity investment owned before the date of acquisition is treated according to the accounting method on the same basis which is adopted by the invested entity when such entity

disposes the related assets or liabilities directly. Regarding the accounting treatment of the financial assets classified as available-for-sale financial assets previously held before the date of acquisition, the accumulated fair value changes recognized into the other comprehensive income is transferred into the current profit or loss when changed to be measured under the cost method.

In the situation where the Group does not joint control or no longer has significant influence over the invested entity due to the reasons such as disposing a portion of the equity investment, the rest share equity after the disposal is classified as the available-for-sale financial asset. The difference between the fair value at the date when the Group loses the joint control or the significant influence and the book value is reconigzed into the current profit or loss. The other comprehensive income of the previous equity investment recognized under the equity method is treated according to the accounting treatment same to the basis adopted by the invested entity to directly dispose the related assets or liabilities when terminating the measurement under the equity method;

In the situation where the investor party loses the control to the invested entity due to the reasons such as disposing a portion of the equity investment, when preparing the individual financial statemetns, if the rest share equity can impose the joint control or significant influence over the invested entity after the disposal, the equity method should be adopted and adjustments should be made to the rest portion of share equity as if the equity right were to be measured since acquired under the equity method. If the rest portion of the share equity after the disposal cannot impose the control or significant influence over the invested entity, the investment is reclassified into the available-for-sale financial assets, the difference between the fair value on the date when losing the right of control and the book value is recognized into current profit or loss.

#### 4.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 recognized as the current period investment income. For long-term investments accounted for under the equity method, when disposing the investments, the Group adopts the same basis as the basis adpted by the invested entity to directly dispose the related assets or liabilities, and makes the related accounting treatment to the portion previously recognized into the other comprehensive income according to the corresponding percentage.

#### (XV) Entrusted loans

The pricing and revenue recognition method of the entrusted loans: record the amount by which the Group actually entrusts the financial institutions to grant the loans, and calculate the accrued interest according to the accrual basis. The Group should stop accruing the interests and reverse the interest previously accrued if the accrued interest cannot be collected at maturity.

The entrusted loan at the end of year is measured by the lower of the book value and the recoverable amount:

The recognition standard of entrusted loan impairment provision: the principal of the entrusted loan exceeds its recoverable amount.

The accrual method of entrusted loan impairment provision: Accrue the difference by which the recoverable amount of the individual entrusted loan is less than its book value at the end of each half year or the year-end.

#### (XVI) Investment properties

The investment properties of the Group include land use rights leased out, and leased houses and buildings.

The cost of the investment properties of the Group is taken as the entry value. The cost of an investment property purchased from outside consists of the acquisition price, relevant taxes and fees, and other expenditures which can be directly attributable to such asset. The cost of a self-built investment property consists of the necessary expenditures for building the asset to reach the expected status of use.

The Group subsequently measures the investment property through the cost pattern. Depreciation or amortization is accrued based on the estimated useful life and the rate of net salvage value. The estimated useful life, rate of the net salvage value, and the annual depreciation (amortization) rate are listed below:

Classification	Term of depreciation (year)	Estimated rate of net salvage value (%)	Annual depreciation rate (%)
Land use rights	35-70	—	1.43~2.86
Houses and buildings	20-70	0-5	1.36-5

Where the usage of an investment property is changed to be used by the owner itself, such investment property shall be reclassified as fixed asset or intangible asset since the date of the change. Where the usage of a self-used house and land use right is changed to earning rental income or capital appreciation, such asset will be transferred from fixed asset or intangible asset into investment property as from the date of change. On conversion, the carrying amount before the conversion is taken as the entry value of the asset.

An investment property is derecognized when it is disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected to gain from its disposal. The net amount of proceeds from disposal income from the sale, transfer, scrap or damage of the investment property after deducting the carrying amount and the related taxes and fees from the disposal proceeds is recognized into current profit or loss.

#### (XVII) Fixed assets

Fixed assets of the Group refer to the tangible assets with the following characteristics together, namely assets that are held for production of goods, rendering of services, leasing to others, or for administrative purposes; and have a useful life over one accounting year.

Fixed assets include land, houses and buildings, machinery and equipment, transportation tools and others. The fixed assets are initially measured at cost. Wherein, the cost of fixed assets purchased from outsiders includes purchase prices, related import taxes and related taxes, and other expenses incurred for bringing the assets to the expected condition for its intended use which could be directly attributed to such assets. The cost of self-constructed fixed assets includes necessary construction expenses incurred for bringing the assets to the expected condition for its intended use. The entry value of the fixed assets injected by investors is measured at the considerations 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 will be recorded at their fair value. The cost of fixed assets acquired under finance lease arrangement is measured at the lower of their fair value and the present value of the minimum lease payment at the inception date of the leases.

Subsequent expenditure incurred on a fixed asset, such as repairs and improvement costs are recognized into the cost of fixed assets when the situation meets the recognizing conditions of fixed assets. The carrying amount of the replaced part is derecognized. Other subsequent expenditures not qualified for the recognition criteria of the fixed asset shall be recognized into current profit or loss when incurred.

Except for the fixed assets that are fully depreciated but are still in use and lands that are separately recorded, depreciation is provided for all the fixed assets by the Group over their estimated useful life using the straight-line method, and the depreciation is recognized into the cost of the related assets or the current period expenses. The useful life, estimated rate of residual value and the annual depreciation rate of each classification of the fixed assets of the Group are as following:

No.	Classification	Term of depreciation (year)	Estimated rate of residual value (%)	Annual depreciation rate (%)
1	Land property	—	—	—
2	Houses and buildings	6~35	3~5	2.71~16.17
3	Machines and equipment	5~20	3~5	4.75~19.4
4	Transportation tools	5~10	3~5	9.5~19.4
5	Others	3~10	3~5	9.5~32.33



The Group reviews the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each year. If any change incurred, such change is accounted for as a change in accounting estimates.

A fixed asset is derecognized when it is disposed or expected not to bring economic benefit from its use or disposal. The net amount of proceeds from the disposal, transfer, scrap or damage of the asset after deducting the carrying amount and the related taxes is recognized into current profit or loss.

(XVIII) Construction in progress

Construction in progress is measured at the actual cost. The self-operated engineering project is measured according to the direct material, direct salaries and direct construction cost, etc. The output package of a construction project is measured at the engineering project payments which shall be paid. For equipment installation project, the project cost is determined according to the value of the equipment installed, installation cost, expenditures on the trial running of the project, etc. The cost of the construction in progress also includes the borrowing expense and exchange gain or loss which should be capitalized.

Since the date when the construction in progress reaches its intended status of use, according to the project budget, cost of construction or the actual project cost, etc. transfer the construction in progress into the fixed asset according to the estimated value. Since the next month, the depreciation is started to accrue. After handling the formalities of the final accounts and completion procedure, conduct the adjustments to the original value difference of the fixed asset.

(XIX) Borrowing costs

Borrowing costs include borrowing interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset commence capitalized as part of the cost of assets when expenditures for the asset have been incurred; the borrowing costs have been incurred; and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have been commenced. The capitalization of borrowing costs ceases when the qualifying assets under acquisition, construction, or production become ready for their intended use or sale. Other borrowing costs are recognized as an expense in the period in which they incur.

Capitalize the amount of the current interest expenses actually incurred related to the specific borrowings after deducting the interest income from depositing the unused borrowing funds in bank or the investment gains from conducting the temporary investment activities from the interest expenses. The capitalized amount for the general borrowing is determined by the

calculation of which the weighted average of the accumulated capital expenditure over the amount of specific borrowing multiplies the weighted average interest rate of the general borrowing.

Assets qualified for the conditions of capitalization refer to assets such as fixed assets, investment properties, and inventories that need to take a substantially long period of time (usually more than 1 year) of acquisition, construction, or production to become ready for their intended use or sale.

Capitalization of borrowing costs is suspended during periods when the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production activities of such assets is resumed.

#### (XX) Intangible assets

Intangible assets of the Group include land use rights, coastline use rights, patent technologies, non-patent technologies, exclusive operating rights and software, etc. Intangible assets are measured at the actual cost when acquired. Wherein, the cost of intangible assets purchased from outside parties includes purchase prices actually paid and other related expenditure as the actual cost. The cost of intangible assets injected by investors is determined according to the value agreed in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, fair value is taken to determine the actual cost.

Land use rights are accounted for since the starting date of transfer, and are amortized evenly according to the transferring period. Patent technologies, non-patent technologies and other intangible assets are amortized evenly by year into the shortest period of the three periods, namely the estimated useful life, the beneficial years stipulated in the contracts and the effective period stipulated by the laws. The amortized amounts are accounted for into the costs of relevant assets and the current profit or loss according to the beneficial objects.

The Group reviews the estimated useful life and amortization method of intangible assets with a limited useful life at the end of each year and, if any changes happen, the Group treats the changes as a change of accounting estimates. The Group reviews the estimated useful life of intangible assets with uncertain useful life during each accounting period. If there is evidence to prove the useful life of intangible assets is limited, then the Group will estimate the useful life and amortize the intangible assets within the estimated useful life.

The amortization methods of intangible assets with limited useful life are listed below:

Classification	Useful life	Amortization method	Note
Software	2-10 years	Straight-line method	
Land use rights	30-50 years	Straight-line method	

Classification	Useful life	Amortization method	Note
Coastline use rights	50 years	Straight-line method	
Patents	5-7 years	Straight-line method	
Non-patent technologies	5-10 years	Straight-line method	
Exclusive operating rights of Lupu Bridge	25 years	Straight-line method	
Others	10-25 years	Straight-line method	

## (XXI) Research and development

Research and development expenditures of the Group is classified into expenditures on the research phase and expenditures on the development phase based on the nature and whether there is material uncertainty that the research and development activities can form an intangible asset ultimately. Expenditures on the research phase are recognized into the current profit or loss when incurred. Expenditures on the development phase are recognized as an intangible asset only if all of the following conditions are satisfied:

1. It is technically feasible that the intangible asset can be used or sold upon completion;
2. There is an intention to complete the intangible asset for use or sale;
3. There is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market;
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.

Other development expenditures that do not meet the above conditions are expensed in the period when incurred. Development expenditure which has been previously recognized into current profit or loss in the prior periods shall no longer be recognized as an asset in the subsequent period. Capitalized expenditures in the development phase are stated in the balance sheet as development expenditures and are transferred into intangible assets for presentation when such project reaches the intended use.

## (XXII) Long-term deferred expenses

Long-term deferred expenses of the Group refer to all kinds of expenses incurred but should be assumed by the current period and each period afterwards with the amortization period over than 1 year (not including 1 year). Such expenses are evenly amortized during the beneficial period. If such item of long-term deferred expenses cannot benefit the accounting period afterwards, then recognize the amortized value which has not been amortized of such item into current profit or loss entirely.

(XXIII) Goodwill

Goodwill is the difference by which the cost of equity investment or the cost of business combination not under common control exceeds the entitled portion of fair value in the business combination or the obtained identifiable net assets in the invested entity or the identifiable net assets of the acquired party at the date of acquisition or the date of purchase.

Goodwill related to the subsidiaries is presented separately in the consolidated financial statements. Goodwill related to associate enterprises or joint venture enterprises is included in the book value of the long-term equity investments.

(XXIV) Impairment of long-term non-financial assets

The Group conducts examinations at each balance sheet date on the items such as long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life. When the below signs existed, such sign may indicate that the assets might have incurred impairment. For goodwill and intangible assets with indefinite useful life, no matter whether any signs of impairment existed, impairment tests are conducted at the end of each year. If it is difficult to estimate the recoverable amount of an individual asset, the test is conducted on the basis of the asset portfolio or the groups of asset portfolios to which the asset belongs.

After the impairment test, if the book value of the asset exceeds the recoverable amount, the difference between the book value and the recoverable amount is recognized as the impairment loss. The aforementioned impairment loss cannot be reversed in the subsequent accounting periods once recognized. The recoverable amount of the assets refer to the higher of the two amounts, namely the net balance by deducting the disposal expenditures from the fair value and the present value of estimated future cash flows.

Signs of impairment are as following:

1. The market price of the asset falls to a large degree in the current period. The extent of decline was significantly higher than the estimated decline due to the passage of time or normal use;
2. The economic, technical or legal environment where the enterprise operates in and the markets where the assets locate has incurred significant changes in the current period or will incur significant changes in the recent period, so to generate adverse impact on the enterprises;
3. Market interest rates or other market rates of return on investments have increased in the current period, which is expected to affect the discount rate to calculate the present value of the future cash flows of the assets, resulting in a significant reduction in the recoverable amount of an asset;

4. There is evidence indicating that assets have become obsolete or the substance of the assets has been damaged;

5. The assets have been or will be left unused, terminated of use or planned to be disposed ahead of schedule;

6. Evidence from the internal reporting of the enterprise indicates that the economic performance of an asset has been, or will be lower than the expectation, such as the net cash flows created by the assets or the realized operating profit (or loss) is far below (or higher) than the expected amount, etc.;

7. Other evidence indicates that the impairment of assets may have incurred.

#### (XXV) Employee benefits

Employee benefits of the Group refer to all types of rewards or compensation given to employees to obtain the services rendered by the employees or when the labor relationship is terminated. The employee benefits include short-term compensation, post-employment welfare, termination welfare and other long-term employee benefits. The welfares provided by the Group to the spouse and children of the employees, the people supported by the employees, widowed spouse of the deceased employees, or other beneficiaries also belong to the employee benefits.

1.Short-term compensations refer to employee's benefits which need to be entirely paid within 12 months after the year when employees render the related services to the Group, except for the compensation paid due to the termination of labor-relationship with the employees. The short-term compensations of the Group specifically include employee salaries, bonus, allowances and subsidies, employee welfare expense, social insurance expenses such as medical insurance, work injury insurance, and maternity insurance, housing funds, labor union expenses cost, employee education expenses, and other short-term remunerations.

The Group recognizes the short term remuneration actually incurred as the liabilities, and recognizes such liabilities into the current profit or loss or the costs of the related assets according to the beneficial objects to which the employees render the services. If the short-term remuneration is non-monetary welfare, measure such remuneration according to the fair value.

2.Post-employment welfare refers to all kinds of remuneration and benefits provided to obtain the services provided by the employees after the employees retire or terminate the labor relationship with the Group, except for short-term compensations and termination benefits.

The defined contribution plan established by the Group refers to the basic endowment insurance and the unemployment insurance as well as enterprise annuities, etc. paid for employees according to the related regulations stipulated by the local government. During the accounting period when the employees render services to the Group, the amount which should be paid is calculated according to the base of pay and the percentage according to the local

stipulations. Such plan is recognized as the liability and is recognized into the current profit or loss or the cost of the related assets.

The Company and some subordinate enterprises establish enterprise annuities. The funds of enterprise annuities are paid together by the Company and the individual employees. The portion paid by the Company is accrued from the costs of the Group. The portion paid by the individuals is accrued by the Group through withholding and paying the amount on behalf of the employees when paying the salaries of the employees.

The Group classifies the beneficial liabilities generated from defined benefit plans determined by the expected accumulated welfare unit method into the period when employees provide services, and recognizes into current profit or loss or the cost of the related assets. The deficit or surplus formed from deducting the fair value of the defined benefit plan asset from the present value of the defined benefit plan liability is recognized as a net liability or a net asset of a defined benefit plan. If the defined benefit plan has a surplus existed, the Group adopts the lesser of the two: namely the surplus of the defined benefit plan and the upper limit of asset of the defined benefit plan, to measure the net asset of defined benefit plan.

All the defined benefit plans, including the liabilities expected to be paid within the twelve months after the end of the reporting period when the employees provide services are discounted according to the market rate of return of the treasury bonds matched to the term and currency of the defined benefit plan liabilities or the high-quality corporate bonds in the active market.

The service cost generated by the defined benefit plan and the net interest of the net liabilities or net assets of the defined benefit plan is recognized into current period profit or loss or the cost of the related asset. The change generated from the remeasurement of the net liabilities or net assets of the defined benefit plans is recognized into other comprehensive income, and shall not to be reversed in the profit or loss of the subsequent accounting period.

When settling the defined benefit plans, the Group recognizes the settlement gain or loss according to the difference between the present value of the defined benefit plan on the settlement day and the settlement price.

Currently, the defined benefit plan of the Group is mainly the overall external cost of retired employees including workers and cadres. In addition to the three level subsidiaries in CSSC Huangpu Wenchong Shipping Company Limited, The Ninth Design Institute Engineering of CSSC Co., Ltd., and the forth level subsidiaries in Guangzhou Wenchong Shipyard Co. Ltd., CSSC Research & Design Co., Ltd. CSSC Huahai Marine Equipment Co., Ltd. Approved by the State-owned Assets Supervision and Administration Commission of the State Council, accounted for three types of personnel expenses. The Group and other subsidiaries according to the related stipulations in the "Notice on the final financial accounts management

and the preparation of the statements of central enterprises for the year of 2014”, (Guo zi fa ping jia No. [2014] 175) issued by SASAC of the State Council, the Group does not accrue the overall external cost of such retired employees and will recognize the amount into current profit or loss when actually incurred.

3. Termination benefits refer to the compensation paid 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. For the situation where although the employee does not relieve the labor service contract with the Group, the employee will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, the Group commits to provide the economic compensation with the nature of termination benefits, for instance the situation of “early retirement”. In such a situation, before the formal retirement date of the employee, the Group adopts the treatment according to the treatment of the termination benefits. While after the formal retirement date of such employee, the Group adopts the treatment according to the treatment of post-termination benefits.

Where the Group provides termination benefits to employees, the Group recognizes the liabilities of employee benefits payable generated from the termination benefits and recognized into the current profit or loss at the earlier date of the following two dates: 1) when the Group cannot unilaterally reverse the termination benefits due to the plan of cancelling the labor relationship or the termination benefits provided by the advice of reducing staff; and 2) the Group recognizes the cost or expense related to the payment of termination benefits of restructuring into the cost or expenses.

For termination plan of which the termination benefits which are expected not to be entirely paid after the twelve months of the end of the reporting period and the substantial termination work is completed within one year but the term to pay the compensation payment exceeds one year, the Group adopts the appropriate discounted rate and adopts the discounted amount to measure the amount of termination welfare that should be recognized into the current profit or loss.

#### (XXVI) Bonds payables

The Group applies the fair value to initially recognize the bonds payables, with the related transaction expenses recognized into the initial amount. Bonds payables are subsequently recognized based on the amortized cost.

The difference between the price paid for the bonds and the total face value of the bonds is recognized as the premium or the discount of the bonds payables. The premium or the discount is amortized when the interest is accrued based on the effective rate of interest method during the lasting period of the bonds, and is treated according to the principles of borrowing expenses.

(XXVII) Estimated liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration at the same time, warranty on quality of products or other contingent matters meet the following requirements, the Group will recognize them as liabilities. The requirements are as following: the assumed responsibilities are actual and real; the fulfillment of obligations will probably cause the outflow of economic benefit from the enterprise; the amount of such liabilities can be measured reliably.

Estimated liabilities are initially recognized at the most appropriate estimation of the necessary expenditures when fulfilling the related current obligations by comprehensively considering the factors such as the risks, uncertainties, and time value of the currency related to the contingent matters, etc. If the effect from the time value of the currency is significant, the most appropriate estimation will be determined by discounting the future cash out-flows into the present value. On each balance sheet date, the book value of the estimated liabilities is reviewed, and adjusted to reflect the currently best estimate if the book value changes.

(XXVIII) Safety production fees

The enterprises belonged to the Group under the shipbuilding industry and the related marine equipment manufacturing industry accrue and use the safety production fees according to the related regulations of ‘The administrative method of accrual and use of enterprise safety production fees’ (Cai Qi [2012] No. 16). When accrued, the safety production fees are recognized into the cost of related products, and are recognized in the ‘special reserve’ account. When using the safety production fees in compliance with the regulated scope, if the expenditures belong to expenses, the expenditures are directed netted against the special reserves. If the expenditures result in the formation of fixed assets, the expenditures are summed up under the account of ‘construction in progress’. After the project reaches the expected status to the intended use, the expenditures are recognized as the fixed assets. At the same time, the costs used to form the fixed assets are netted against the special reserve and the accumulated depreciation is recognized at the same amount. The fixed assets will not be recognized for accumulated depreciation in the future period.

The balance of safety production fees can be transferred to the next year. If the amount is insufficiently accrued for the operation, the excess should be expensed according to way to charge the normal costs or expenses. The additional safety production fees are no longer accrued after making the original provision.

(XXIX) Revenue recognition principles

The operating revenues of the Group mainly include revenue from sales of goods, rendering of services, transferring of assets use rights and construction contracts. The principles of revenue recognition are as following:



1. The Group recognizes the realization of the revenue from sales goods, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group neither holds continuing management rights generally related to the ownership, nor conducts the effective control over the goods sold, the amount of the relevant revenue can be measured reliably, the relevant economic benefits will likely flow into the Group, and the relevant costs which have already incurred or will incur can be measured reliably.

2. Revenue from rendering of services is recognized by the Group when the total revenue and total costs of the labor services can be measure reliably; when the associated economic benefits are probably flow into the Group; and when the completion progress of the services can be estimated reliably. At the balance sheet date, revenue is recognized using the percentage of completion method when the outcome of the services rendered can be estimated reliably. The percentage of completion method is determined according to the proportion of costs incurred to date over the total estimated cost, or to the proportion of services provided of the total amount of services to be provided; Where the transaction outcome of rendering services cannot be reliably estimated and the costs incurred are expected to be recoverable, the revenue from rendering services are recognized according to the incurred service cost expected to be compensated and the incurred service costs should be carried over. Where the outcome of the service rendering transaction cannot be reliably estimated or all the costs incurred are expected not to be recoverable, no labor service revenue shall be recognized. The costs incurred are recognized into current profit or loss.

3. Revenues from alienating the rights of using properties is recognized, when the economic benefits related to transactions will likely flow into the Group and the amount of revenues can be measured reliably.

(XXX) Construction contracts

The Group recognizes the contract revenue and the contract expense at the balance sheet date using the percentage of completion method when the total revenue from the contracts can be measured reliably; When the economic benefits related to the contract are probably flow into the Group; when contract costs actually incurred can be clearly identified and measured reliably; and when the completion progress of the contract and the future costs to be incurred to complete the contract can be estimated reliably. In applying the percentage of completion method, the stage of completion of the contract is determined according to the proportion of contract costs actually incurred to date to the estimated total contracts costs.

Where the outcome of the construction contract cannot be reliably estimated, if the costs incurred are expected to be recoverable, contract revenue is recognized according to the recoverable actual contract cost to determine. Such contract cost is recognized as the expenses for the period when the cost incurred. If the contract cost is impossible to recover, such cost is

immediately recognized as an expense for the period when incurred and no revenue shall be recognized.

The long term shipbuilding contract such as for first-made ships is deemed that the contract result can be reasonably expected when the construction progress reaches 50%, and the batch-made non-first-made shipbuilding is deemed that the contract result can be reasonably expected when the construction progress reaches 30%. For shipbuilding which the construction progress has not reached the level to reasonably expect the contract result, the Company recognizes the actual contract cost incurred as the contract expense and recognizes contract revenue according to the amount of contract expense, not recognizing the contract gross margin.

The currency adopted to sign the contract is the basis on which the Group recognizes the revenue from foreign currency contracts. When translating the revenue from foreign currency contracts, the Group adopts the RMB amount at the time of receiving the payment to recognize the foreign currency revenue received to accrue. For the foreign currency revenue not received but should be accrued, the Group adopts the spot exchange rate when recognizing the account receivables. The total amount of the two aforementioned amounts is recognized as the RMB amount of revenue to accrue. The accumulated RMB revenue accrued minus the accumulated RMB revenue recognized in the past period is treated as the RMB revenue which should be recognized in the current period.

The Group generally reviews construction contracts at the end of each year. If the total expected contract cost exceeds the total expected contract revenue, the Group accrues the expected contract loss, and increases the impairment loss and the provision of inventory impairment – expected contract loss at the same time. Before the construction progress of shipbuilding reaches 30% (non-first-made shipbuilding) or 50% (first-made shipbuilding) and when no gross margin has been recognized, the Group does not write-off the provision of inventory falling price impairment. After the construction progress of shipbuilding reaches 30% (non-first-made shipbuilding) or 50% (first-made shipbuilding), the Group starts to recognize gross margin, and write-offs the provision of inventory falling price impairment accrued based on the progress, and reduces the main operating cost. Generally at the end of each year, for the uncompleted shipbuilding to which the Group accrued the provision of inventory falling price impairment in the past period, if the provision made in the past period is insufficient and needs to accrue additionally, the Group simultaneously increases the asset impairment loss and the inventory falling price impairment – expected contract loss. If the accrual is excessive and needs to be reversed, the Group simultaneously reduces the asset impairment loss and the inventory falling price impairment – expected contract loss. When delivering the ship, the balance in the provision of inventory falling price impairment is used to reduce the main operating cost. At the balance sheet date, the Group analyzes the book value of inventory formed from the construction contract (the book value less the inventory falling price impairment). If the book

value is negative, the Group reclassifies the amount to be reported under the item of estimated liabilities. If the book value is positive, the Group compares the amount with the balance in the construction settlement account. After netting-off based on the principle of lower, the Group reports the balance after the net-off under the item of inventories or other current liabilities.

The level two enterprise, CSSC Steel Structure Engineering Co., Ltd (listed company), the level three enterprise, the Ninth Design and Research Institute of China Shipbuilding Engineering Co., Ltd and Shanghai Jiangnan Shipbuilding Real Estate Development and Operation Co., Ltd, adopt the percentage of which the completed amount of contract workload to the estimated total amount of contract workload to determine the percentage of completion progress.

(XXXI) Government grants

Government grants refer to the monetary assets or non-monetary assets which the Group received from the government at no costs. A government grant is recognized when the Group is able to satisfy all the conditions attached to the grant and when the Group is able to receive the grant.

Where a government grant is in the form of a transfer of monetary asset, it is measured at the actual amount received. Where a government grant is appropriated on the basis of a fixed quota standard, such grant is measured at the amount receivable. Where a government grant is in the form of a of non-monetary asset, it is measured at fair value. If the fair value cannot be determined reliably, it is measured at a nominal amount of RMB 1 Yuan.

The government grants of the Group are divided into the assets-related government grants and income-related government grants. Wherein, the assets-related government grants refer to the government grants received by the Group, used to purchase, construct or to form the long-term assets in other method. The income-related government grants refer to the government grants other than assets-related government grants. If no compensated objects are identified in the governmental documents, the Group makes the judgements according to the aforementioned principles.

Assets-related government grants are recognized as deferred income, and are evenly amortised to current profit or loss over the useful life of the related assets. Income-related government grants that are used to compensate for the related expenses or losses to be incurred in the subsequent periods are recognized as deferred income and are credited to the current profit or loss in the period when recognizing the related expense are incurred. Government grants used to compensate the related expenses or losses already incurred are charged directly to the current profit or loss.

(XXXII) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred liabilities of the Group are recognized by the calculation according to the differences between the tax bases of assets and liabilities and the respective carrying amount (temporary differences). For the deductible tax losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years are deemed as temporary differences. These temporary differences are recognized as deferred tax assets correspondingly. 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 liability is settled.

Deferred tax assets generated from the temporary deductible differences are recognized by the Group to the extent that it is probable to obtain the taxable profit which will be sufficient to offset the deductible temporary difference. For the recognized deferred tax assets, when it is estimated that in the future period, it is likely that the Group is unable to obtain sufficient taxable income to deduct the deferred tax assets, the book value of the deferred tax assets should be reduced. When it is very likely that sufficient taxable income will be available, the amount previously reduced shall be reversed.

#### (XXXIII) Lease

Leases are classified as finance leases and operating leases by the Group at the date of inception.

Finance lease refers to a lease that substantially transfers all the risks and rewards related to the ownership of the assets. The Group, as a lessee, recognizes the assets under finance lease at the lower of the two amounts, namely the fair value of the leased assets at the inception date of the lease and the present value of the minimum lease payments as the entry value of the fixed assets acquired under finance lease. The minimum lease payments are taken as the entry value of the “long-term payable”. The balance between the two amounts is recorded as the unrecognized finance lease expense.

Operating leases refer to leases other than finance leases. The lease payments of the Group as a lessee are recognized into the cost of related assets or the current profit or loss according to the straight-line method in each period. The rental income of the Group as a lessor is recognized as revenues according to the straight-line method in each period.

#### (XXXIV) Measurement of fair value

##### 1. Initial measurement of fair value

Regarding the assets and liabilities measured in fair value, the Group considers the characteristics of the assets or liabilities. The Group adopts the price which market participants will receive when selling an asset or transferring a liability in the orderly transactions on the date of measurement to measure the fair value. When measuring the related assets or liabilities based on the fair value, the transactions in which the market participants sell assets or transfer

liabilities are the orderly transactions conducted under the current market conditions. The orderly transactions of selling assets or transferring liabilities are conducted in the main market of the related assets or liabilities. If no main market exists, the Group supposes that the transaction is conducted in the most favorable market of the related assets or liabilities. The Group adopts the assumption that the market participants take to price the assets or liabilities when maximizing the economic benefits. When adopting the fair value to measure the non-financial assets, the Group considers the ability of the market participants to apply the assets into the optimal use to generate economic benefits, or the ability to sell the assets to other market participants who can apply the assets to the optimal use in generating economic benefits.

## 2.Valuation techniques

The Group adopts the fair value to measure the related assets or liabilities. The Group adopts the valuation techniques which is supported by the information applicable to the current situation and is supported by other information. The adopted valuation techniques mainly include market method, revenue method and cost method. When applying the valuation techniques, the Group favorably adopts the related observable input value. Only when the related observable input value cannot be obtained or when it is impractical to obtain, the Group adopts the non-observable input value.

## 3.Hierarchical division of fair value

The Group adopts the lowest tier to which the input value which has the significant meaning to the entire fair value measurement belongs to determine the tier to which results of fair value measurement belongs. The input value of the first tier is the unadjusted quotation of the same financial assets or liabilities in the active market available at the date of measurement. The active market refers the markets with the transactional volume and the transactional frequency sufficient to continuously provide pricing information. The input value of the second tier is the directly or indirectly observable input value of the related assets or liabilities other than the input value of the first tier. The input value of the third tier is the non-observable input value of the related assets or liabilities.

## (XXXV) Segment information

The Group determines the operating segments on the basis of internal organizational structure, management requirements and internal reporting system and adopts these operating segments as the basis to determine the reporting segments and disclose the segment information. An operating segment is a component of the Group that satisfies all of the following conditions: such component is able to earn revenue and incur expenses from the ordinary business activities; The operating results of such segment can be regularly reviewed by the management of the Group to make decisions about resources to be allocated to the segment and to assess its performance; And the Group can obtain the accounting information such as the financial

position, operating results and cash flows of these components. Two or more operating segments can be merged into one operating segment if they have similar economic characteristic and satisfy certain conditions.

(XXXVI) Discontinued operations

Discontinued operation refers to a component of the Group that either has been disposed or is classified as held-for-sale, and can be separately distinguished in the business operations and in the preparation of financial statements. Such component will be entirely or partially disposed of according to the plan of the Group.

A component is classified as held-for-sale when all of the following conditions are satisfied: The Group has made a resolution on disposal of the component; The Group has signed an irrevocable transfer agreement with the transferred party; and such transfer will be completed within one year.

(XXXVII) Notes of significant accounting policies and accounting estimates of state-run institutions affiliated

1.Short-term investments

The recognition is based on the price of actual cost when acquired. Investment income is recognized according to the accrued interest or profit repatriated of the current period. The impairment allowance of short-term investments shall not be accrued.

2.Accounts receivables

(1) Standards to recognize bad debts:

Debtors bankrupt or dead, the uncollectible remaining amount after using the bankruptcy assets or bequests to clear;

Amounts cannot be collected due to debtors who did not fulfill the obligations to clear debts past the due date for more than 3 years, and the amounts are approved by the departments in charge;

(2) Direct write-off method is applied to account for bad debts. The incurred loss of bad debts is directly recognized into the current profit or loss.

3.Inventories

(1) Classification of inventories: raw materials, wrappings, low-valued consumables, engineering equipment modes, self-produced semi-finished goods, stock merchandise, entrusted processed goods, goods sent out on instalment sales and work in process, etc.;

(2) Inventory pricing method: The method of actual cost is applied at the time of purchase. Low-valued consumables and wrappages are amortized at one time amortization method when sent out. The method of actual cost is applied to other inventories.

(3) The stocktaking policy of inventories: Companies adopt the perpetual inventory method for the inventories and stocktaking is performed at the end of each year.

(4) Allowance for inventory impairment shall not be accrued.

#### 4. Long-term investments

(1) The accounting method of long-term bond investments:

The recognition method to measure prices and recognize gains of long-term bond investments: The actual cost is recognized, which includes the actual payment after deducting the paid taxes, fees and other surcharges, and the bond interests included in the actual payment, the interests that are already due but are not yet collected. Accrued interests are calculated according to the principles of the accrual method. Bond premiums or bond discounts are recognized as the result of which the actual payments minus the related expenses and the difference between the bond interest and the bond face value of the immature bonds;

The amortization method of long-term bond investment premiums and discounts: amortize in separate periods when accruing the interest of each period.

(2) The accounting method of long-term equity investments:

The recognition method to measure prices and recognize gains of long-term equity investments: long-term equity investments include stock investments and other equity investments. Long-term equity investment is recognized according to the actual payment at the time of making the investment or the value recognized by all the investing parties. The cost method is applied to measure long-term equity investments.

(3) Impairment provision of long-term equity investments shall not be accrued.

#### 5. Fixed assets

(1) Standards of fixed assets: general equipments with a unit value over RMB 500, special equipments with the unit value over RMB 800, the term of usage over one year, the assets which are essentially retained at the original material status during the process of usage, including houses, buildings, instruments, equipment, and transportation tools, etc., and batches of similar goods in a large quantity, of which the unit value not reached the stipulated standard, but the durable time is over one year, are managed as fixed assets.

(2) Valuation of fixed assets: Pricing is based on the actual cost of purchasing from outside parties or construction.

(3) The depreciation of fixed assets is calculated according to the method of accruing the usage fee of fixed assets based on the regulated percentages (no salvage value estimated in advance). The detail percentages are as following:

Classification	Accrued fixed usage fee
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Classification	Accrued fixed usage fee
Houses and buildings	2%-10%
Machines and equipment	5%-20%
Transportation tools	5%-20%
Others	3.33%-20%

State-run institutions of China Institute of Marine Technology and Economy Service Center, China Shipbuilding Industry Government Service Center and Beijing Shipbuilding Industry Management Cadres Institute, Jiangnan Shipbuilding Group vocational and technical school, Worker's Hospital of Huangpu shipyard in Guangzhou, Guangzhou Huangpu shipyard kindergarten, Guangzhou Huangpu shipyard technical school do not accrue the depreciation.

#### 6. Construction in progress

Construction in progress is measured at the actual cost, and is transferred to fixed assets after it is delivered to use. For construction projects which need to complete the final accounting procedures of completion, if the constructions are delivered to use but the final accounting procedures of completion have not been finished yet, recognize the entry value according to the estimated cost. After completing the procedures of checking, accepting and completing the final accounting procedures of completion, the originally estimated value is adjusted according to the numbers determined by the numbers of final accounts.

#### 7. Intangible assets

For intangible assets acquired through purchasing or according to the legal procedures, account for according to the actual expenditures at the time of purchasing or acquiring based on legal procedures. For intangible assets invested by investors, account for according to the assessed value. Intangible assets are amortized based on the straight-line method in the benefit period.

#### 8. Borrowing expenses

For interests paid before the delivery of fixed assets or interests of which the assets are delivered but the final accounts procedure of completion is not completed, such interests are recognized as the constructing cost of the fixed assets. Interests incurred after completing the final accounts procedure of completion, and incurred during the regulated period of repayment, together with the balance of foreign currency translations are recognized into the current profit or loss.

#### 9. Principles to recognize revenues



(1) Revenues from governmental grants: Revenues are recognized at the time when receiving the appropriated funds from the state finance or national financial departments in charge and the superior institutions.

(2) Subsidy income from superior institutions: Subsidy income is recognized at the time when receiving the appropriated funds from the departments in charge and superior institutions.

(3) Revenues from scientific research: For revenues belonged to the state or department appropriations, revenues are recognized according to the amount of funds based on the regulated progress determined by the plans of scientific research projects and contracts.

(4) Revenues from technologies: Equipment (technologies) business revenues are generally recognized as the annual technology revenues reasonably according to the annual progress of completion (namely the method of direct cost percentage). Revenues are recognized when the assumed projects are completed, including projects of technology transfer, technology consultation, technology service, technology training and technology contract, etc., when work is rendered, and when payments are collected, or when the certificates of receipts are obtained.

(5) Revenues from other business: Revenues are recognized when the business is completed, including academic communication, journal publication, and holding scientific and technological exhibition, etc, and when payments are collected, or when the certificates of receipts are obtained.

(6) Revenues from product sales: Revenues are recognized when work-in-process has been sent out or the industrial laboring service has been rendered, and when the payments are collected, or when the certificates of receipts are obtained.

(7) Revenues from other operation: Revenues are recognized when the contractual engineering projects are completed, services such as transportation services are rendered, or materials sold are sent out, and when the payments are collected, or when the certificates of receipts are obtained.

(8) Revenues collected from affiliated institutions: revenues are recognized when receiving the payments submitted by the subordinate institutions or when the certificates of receipts are obtained.

(9) Other revenues: Other revenues are recognized when receiving the payments or when receiving the certificates of collections.

## **V、Notes on changes in accounting policies and accounting estimates and correction of errors**

### **(I) Changes in accounting policies and their effect**

In 2016, the three-level companies in the ninth ship design and Research Institute of Engineering Limited company and a subsidiary of the SASAC "about the China State

Shipbuilding Corporation owned ninth ships of the Design Institute of Engineering Limited company asset reorganization and listing of retired personnel expenses related to issues related to approval" (SASAC approval No. [2016]88), Provision of three types of personnel costs and other long-term employee benefits, according to the newly revised 《The No. ninth of Enterprise Accounting Standards - accrued payroll》 provisions of the group for the first time on the implementation of existing post employment benefits plan, termination benefits and other long-term employee benefits to a long-term deal with the staff salary accounting, and the accounting the policy change to adopt the retrospective adjustment method. When preparing the consolidated financial statements, the Group conducted a restatement on the comparative financial statements for the year of 2015. The situations of impacts on the related items of the financial statements are as following:

(Unit: RMB):

Affected items	December 31, 2015/ (January - December, 2015)		
	Before adjustment	Adjustment amount	After adjustment
<b>Total assets</b>	267,564,098,933.04	5,224,000.00	267,569,322,933.04
Including: Deferred tax assets	2,936,378,437.18	5,224,000.00	2,941,602,437.18
<b>Total liabilities</b>	188,856,533,526.23	35,070,000.00	188,891,603,526.23
Including : Long-term employee benefits payable	835,647,981.02	35,070,000.00	870,717,981.02
<b>Total shareholder's equity</b>	78,707,565,406.81	-29,846,000.00	78,677,719,406.81
Including : Other comprehensive income	637,214,105.92	-7,097,000.00	630,117,105.92
Undistributed profits	18,217,124,030.57	-22,749,000.00	18,194,375,030.57
Total profit	3,669,257,332.58	2,640,000.00	3,671,897,332.58
Net profits	2,572,578,852.25	2,236,000.00	2,574,814,852.25
After tax net other comprehensive income	50,337,345.05	-6,459,000.00	43,878,345.05

(Continued)

Affected items	January 1, 2015		
	Before adjustment	Adjustment amount	After adjustment
<b>Total assets</b>	246,293,253,940.12	5,783,000.00	246,299,036,940.12
Including: Deferred tax assets	2,687,097,945.78	5,783,000.00	2,692,880,945.78
<b>Total liabilities</b>	176,458,470,863.35	30,130,000.00	176,488,600,863.35
Including : Long-term employee benefits payable	837,344,013.27	30,130,000.00	867,474,013.27
<b>Total shareholder's equity</b>	69,834,783,076.77	-25,623,000.00	69,809,160,076.77
Including : Other comprehensive income	557,062,871.58	-638,000.00	556,424,871.58
Undistributed profits	15,922,903,196.89	-24,985,000.00	15,897,918,196.89

## (II) Changes in accounting estimates and their effect

## 1. Contents and reasons for changes in accounting estimate.

The details of the changes in accounting estimates of the Group for the year 2016 are as follows:

## Changes of depreciation period of fixed assets

The level four in order to cope with the change of market environment, the output of the equipment Co., Ltd. is declining year by year. The actual consumption of buildings and machinery and equipment decreased significantly. After checking the service life of fixed assets, it is found that there is a big difference between the estimated life expectancy and the original estimate. After the sixth session No.11 of the board of directors of the company adopted. The depreciation period of the housing structure is adjusted from 20 years to 30 years, and the mechanical equipment is adjusted from 10 years to 15 years.

## 2. The impacted amount to the current period and the future period due to the changes of accounting estimates

The aforementioned changes of accounting estimates all adopted the prospective application method.

Content of changes of accounting estimates	Impact on the total profit of the current year due to changes of accounting estimates
Change of depreciation period of fixed assets	15,961,979.90
Total	15,961,979.90

## (III) Correction of significant errors of prior periods and their effect

## 1. The nature of correction of significant errors of prior periods

## (1) Changes in the scope of consolidation

The secondary enterprise CSSC power limited company and Japan Hitachi Shipbuilding Co. Ltd. joint venture, was established in 1998 in Zhenjiang ship Hitachi shipbuilding machinery Limited registered capital of each accounted for 50%. The articles of association, the board of Directors consists of eight directors, the two sides assigned each of the four; the company's revenue and expenditure budget, profit distribution plan and other important matters must be unanimously approved by the board of directors. The consolidated scope of consolidated financial statements in accordance with 《Accounting standards for Enterprises No. 33 - consolidated financial statements》 shall be determined on the basis of control". The CSSC Hitachi Company belongs to the joint venture, The Ship Power Limited company has no control right, should not be included in the scope of consolidated financial statements. According to the Audit Department of the China State Shipbuilding Corporation the original legal representative of Hu Wenming during the fulfillment of economic responsibility audit opinions on this matter

for rectification, The CSSC power limited company take retroactive adjustment method on the previous error. In the consolidated statements, the 2016 comparative consolidated statements to be restated, the impact of the relevant statements of the project as follows:

Affected items	December 31, 2015/ (January - December, 2015)		
	Before adjustment	Adjustment amount	After adjustment
<b>Total assets</b>	267,564,098,933.04	-68,906,696.04	267,495,192,237.00
Including : Cash and cash equivalents	73,289,242,197.53	-58,270,757.67	73,230,971,439.86
Notes receivable	2,395,978,522.40	-552,858.00	2,395,425,664.40
Accounts receivable	10,738,472,655.40	-11,790,065.42	10,726,682,589.98
Advances to suppliers	26,732,023,567.98	-236,879.98	26,731,786,688.00
Other receivables	2,044,720,979.53	-34,780.21	2,044,686,199.32
Inventories	45,996,827,248.57	-8,683,463.21	45,988,143,785.36
Long-term equity investments	7,696,055,933.67	16,311,096.96	7,712,367,030.63
Fixed assets	48,019,107,914.01	-5,622,574.00	48,013,485,340.01
Liquidation of fixed assets	120,574,543.69	-26,414.51	120,548,129.18
<b>Total liabilities</b>	188,856,533,526.23	-25,995,599.14	188,830,537,927.09
Including : Notes payable	8,044,645,763.58	2,000,000.00	8,046,645,763.58
Accounts payable	32,901,247,698.29	-20,713,294.92	32,880,534,403.37
Advances from customers	14,321,542,943.87	-33,799.51	14,321,509,144.36
Accrued employee compensation	1,245,276,062.33	-2,843,408.88	1,242,432,653.45
Taxes and fees payable	-2,570,342,042.58	877,683.57	-2,569,464,359.01
Other payables	5,152,598,016.41	-282,779.40	5,152,315,237.01
Payables for specific projects	2,291,621,385.19	-5,000,000.00	2,286,621,385.19
<b>Total shareholder's equity</b>	78,707,565,406.81	-42,911,096.90	78,664,654,309.91
Including : Capital reserves	13,946,240,017.93	286,601.83	13,946,526,619.76
Special reserves	65,330,771.26	-286,601.82	65,044,169.44
Undistributed profit	18,217,124,030.57	0.02	18,217,124,030.59
Non-controlling interest	19,189,401,232.90	-42,911,096.93	19,146,490,135.97
Total profit	3,669,257,332.58	-889,104.51	3,668,368,228.07
Net profits	2,572,578,852.25	-676,597.52	2,571,902,254.73

(Continued)

Affected items	January 1, 2015		
	Before adjustment	Adjustment amount	After adjustment
<b>Total assets</b>	246,293,253,940.12	-44,677,279.86	246,248,576,660.26

Affected items	January 1, 2015		
	Before adjustment	Adjustment amount	After adjustment
Including : Cash and cash equivalents	66,438,566,214.04	-20,397,385.33	66,418,168,828.71
Notes receivable	3,428,398,055.00	-2,010,213.94	3,426,387,841.06
Accounts receivable	8,269,042,240.75	-14,633,831.81	8,254,408,408.94
Advances to suppliers	24,075,610,619.68	-2,276.00	24,075,608,343.68
Other receivables	2,105,661,226.72	-547,483.06	2,105,113,743.66
Inventories	37,972,953,142.26	-16,263,996.19	37,956,689,146.07
Long-term equity investments	6,285,983,716.92	15,636,749.29	6,301,620,466.21
Fixed assets	44,655,984,721.61	-6,458,842.82	44,649,525,878.79
<b>Total liabilities</b>	<b>176,458,470,863.35</b>	<b>-29,040,530.58</b>	<b>176,429,430,332.77</b>
Including : Notes payable	7,227,341,221.92	-590,925.69	7,226,750,296.23
Accounts payable	31,326,182,390.41	-26,427,926.06	31,299,754,464.35
Advances from customers	14,258,127,045.48	-23,325.11	14,258,103,720.37
Accrued employee compensation	1,291,046,305.95	-2,357,800.27	1,288,688,505.68
Taxes and fees payable	-1,043,737,959.56	857,073.33	-1,042,880,886.23
Other payables	4,026,691,521.61	-497,626.78	4,026,193,894.83
<b>Total shareholder's equity</b>	<b>69,834,783,076.77</b>	<b>-15,636,749.28</b>	<b>69,819,146,327.49</b>
Including : Non-controlling interest	17,133,740,750.21	-15,636,749.28	17,118,104,000.93

## (2) Adjustment of government subsidies

The third-level enterprises in CSSC Anqing Marine Diesel Engine Co. Ltd. allocated 20 million Yuan of construction investment subsidy funds from the Anqing municipal government included in nonbusiness income, not in accordance with the use of operating cycles (16 years). According to the Audit Department of the China State Shipbuilding Corporation the original legal representative of Hu Wenming during the fulfillment of economic responsibility audit opinions on this matter for rectification, Anqing Chai take retrospective adjustment method of the prior period error. In the consolidated statements, the group makes a statement of the consolidated statements of the year 2016, and the effects of the relevant statements are as follows:

Affected items	December 31, 2015/ (January - December, 2015)		
	Before adjustment	Adjustment amount	After adjustment
<b>Total assets</b>	<b>267,564,098,933.04</b>		<b>267,564,098,933.04</b>
<b>Total liabilities</b>	<b>188,856,533,526.23</b>	<b>16,250,000.00</b>	<b>188,872,783,526.23</b>
Including : Deferred income	832,927,427.09	16,250,000.00	849,177,427.09
<b>Total shareholder's</b>	<b>78,707,565,406.81</b>	<b>-16,250,000.00</b>	<b>78,691,315,406.81</b>

Affected items	December 31, 2015/ (January - December, 2015)		
	Before adjustment	Adjustment amount	After adjustment
<b>equity</b>			
Including : Undistributed profit	18,217,124,030.57	-16,250,000.00	18,200,874,030.57
Total profit	3,669,257,332.58	1,250,000.00	3,670,507,332.58
Net profits	2,572,578,852.25	1,250,000.00	2,573,828,852.25

(Continued)

Affected items	January 1, 2015		
	Before adjustment	Adjustment amount	After adjustment
<b>Total assets</b>	246,293,253,940.12		246,293,253,940.12
<b>Total liabilities</b>	176,458,470,863.35	17,500,000.00	176,475,970,863.35
Including: Deferred income	949,985,865.61	17,500,000.00	967,485,865.61
<b>Total shareholder's equity</b>	69,834,783,076.77	-17,500,000.00	69,817,283,076.77
Including: Undistributed profit	15,922,903,196.89	-17,500,000.00	15,905,403,196.89

**VI、Taxation**

The main taxes that should be paid by the Company and its subsidiaries are listed below:

## (I) Major taxes and tax rates

Category of tax	Tax base	Tax rate
Value-added tax	Domestic sales; providing processing, repairing and repair services; and importing goods	17%
	Water, books, newspapers and journals	13%
	Construction and installation business income <sup>Note</sup>	11%
	Modern service industry <sup>Note</sup>	6%或 3%
	Exporting sales of goods other than oil and gas	0%
Business tax	Construction and installation business income <sup>Note</sup>	3%
	Other laboring service revenues <sup>Note</sup>	5%
Urban maintenance and construction tax	Turnover tax payable	1%、5%、7%
Education surcharge	Turnover tax payable	0.2%、3%

Note: According to the Notice of the Ministry of Finance and the State Administration of Taxation 《Notice of the full liberalization of business tax reform VAT》 (Cai Shui [2016] No.36) and some regulations and policy, the group provides the construction and installation business and other labor income by paying business tax changed to pay VAT since May 1, 2016.

## (II) Corporate income tax

Corporate name	Tax rate	Note
China Shipbuilding Trading Co., Ltd (BVI)	0.00%	Note 1
CSZShippingCompanyLimited	0.00%	Note 1
CSHShippingCompanyLimited	0.00%	Note 1
CSSShippingCompanyLimited	0.00%	Note 1
CELHoldingCompaylimited	0.00%	Note 1
CSHBSShippingCompanyLimited	0.00%	Note 1
CSHASShippingCompanyLimited	0.00%	Note 1
Shanghai Bada Coating Equipment Factory Co., Ltd	5.00%	Note 2
Pan Guang (Macao) Development One-person Co., Ltd	12.00%	Note 3
Hudong Heavy Machinery Co., Ltd	15.00%	Note 4
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	15.00%	Note 4
CSSC Chengxi Shipbuilding Co. Ltd.	15.00%	Note 4
Guangzhou CSSC Wenchong Shipyard Co. Ltd.	15.00%	Note 4
Shanghai Jiangnan Changxing Heavy Industry Co., Ltd.	15.00%	Note 4
China Shipping Equipment Co., Ltd.	15.00%	Note 4
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	15.00%	Note 4
Shanghai Waigaoqiao Shipbuilding Marine Engineering Co., Ltd.	15.00%	Note 4
Shanghai Waigaoqiao Shipbuilding Marine Engineering Design Co., Ltd.	15.00%	Note 4
Guangzhou Hongfan Computer Technology Co., Ltd.	15.00%	Note 4
CSSC Steel Structure Engineering Inc. Co.	15.00%	Note 4
Jiangnan Shipbuilding (Group) Co., Ltd.	15.00%	Note 4
CSSC Ship Power Co., Ltd.	15.00%	Note 4
Zhenjiang CSSC Modern Power Equipment Co., Ltd.	15.00%	Note 4
Anqing CSSC Diesel Engine Co., Ltd.	15.00%	Note 4
Jiujiang Precision Testing Technology Research Institute	15.00%	Note 4
Jiujiang Jingda Detection Technology Co. Ltd.	15.00%	Note 4
Hudong Zhonghua Shipbuilding (Group) Co., Ltd.	15.00%	Note 4
Shanghai Dongxin Software Engineering Co., Ltd.	15.00%	Note 4
Shanghai Hudong Shipbuilding Glib Pump Co. Ltd.	15.00%	Note 4
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	15.00%	Note 4
Shanghai Dongding Steel Structure Co., Ltd.	15.00%	Note 4
Shanghai Hudong No. Three Ship Accessories Co. Ltd.	15.00%	Note 4
CSSC Power Equipment Co., Ltd.	15.00%	Note 4
Shanghai Shipyard Co., Ltd.	15.00%	Note 4
CSSC Huangpu Wenchong Shipping Co., Ltd.	15.00%	Note 4
China Shipbuilding Industry System Engineering Research Institute	15.00%	Note 4
Beijing CSSC InfoTech Co., Ltd.	15.00%	Note 4
Xi'an Pan-China Science and Technology Development Co Ltd	15.00%	Note 4

Corporate name	Tax rate	Note
CSSC Electronic Technology Co., Ltd.	15.00%	Note 4
CSSC Navigation Technology Co., Ltd.	15.00%	Note 4
Tianjin Hairi Electronics Co., Ltd.	15.00%	Note 4
Wuxi Haiying Electronic Medical System Co. Ltd.	15.00%	Note 4
Wuxi Haiying Jiake Marine Technology Co. Ltd.	15.00%	Note 4
CSSC Guijiang Shipbuilding Co., Ltd.	15.00%	Note 4
Nanjing CSSC Oasis Machinery Co., Ltd.	15.00%	Note 4
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	15.00%	Note 4
Shanghai CSSC National Engineering Research Center Co., Ltd.	15.00%	Note 4
Shanghai Haixun Electromechanical Engineering Co. Ltd.	15.00%	Note 4
China State Shipbuilding Corporation Eleventh Research Institute	15.00%	Note 4
Shanghai Ship Research and Design Institute	15.00%	Note 4
Shanghai Starry Ship Marine Engineering Services Co., Ltd.	15.00%	Note 4
CSSC Southern China Ship Machinery Co., Ltd.	15.00%	Note 4
CSSC Ninth Design & Research Institute Co., Ltd.	15.00%	Note 4
CSSC Design & Research Institute Co., Ltd.	15.00%	Note 4
Hualian Shipping Co., Ltd.	16.50%	Note 5
Pan-China Equipment Co. Ltd.	16.50%	Note 5
Huaguang Development Co. Ltd.	16.50%	Note 5
Unique International Limited	16.50%	Note 5
Hongkong Marvy Co., Ltd.	16.50%	Note 5
Rongguang Development Limited	16.50%	Note 5
Pan Wide Development Limited	16.50%	Note 5
Huachang International Shipping Co., Ltd.	16.50%	Note 5
CSSC (Hongkong) Shipping Leasing Co., Ltd.	16.50%	Note 5
China Bridge Shipping Co. Ltd.	16.50%	Note 5
CP Global Holdings	16.50%	Note 5
CSSC Industry Complete Logistics (Hongkong) Co., Ltd.	16.50%	Note 5
CSSC Energy (Singapore) Co., Ltd.	17.00%	Note 6
Rui Lin Marine Engineering Co., Ltd.	17.50%	Note 7
Zhanjiang Nanhai Warship Hi-tech Service Co., Ltd.	20.00%	Note 8
Beijing CSSC Economy Technology Development Company	20.00%	Note 8
Beijing CSSC Furui Environmental Technology Co. Ltd.	20.00%	Note 8
CSSC Property Management Co., Ltd.	20.00%	Note 8
Shanghai Lingqiao Shipyard Shipbuilding and Repair Factory	20.00%	Note 8
Shanghai Heqing Shipyard Ship Accessories Factory	20.00%	Note 8
Wuxi Haiying Household Electric Appliance Fittings Factory	20.00%	Note 8
Beijing CSSC Consulting Co., Ltd.	20.00%	Note 8



Corporate name	Tax rate	Note
Beijing CSSC Video Production Center	20.00%	Note 8
Beijing Xinzhou Property Management Company	20.00%	Note 8
Beijing CSSC Jiayuan Property Management Co., Ltd.	20.00%	Note 8
Shanghai Songyuan Ship Science and Technology Communication Center	20.00%	Note 8
Shanghai Hai Qin Property Management Co., Ltd.	20.00%	Note 8
Shanghai Ship & Ocean Engineering Design Co., Ltd.	20.00%	Note 8
Other Companies	25.00%	

1、The registration place of China Shipbuilding Trading Co., Ltd (BVI) is the British Virgin Islands. The tax rate is 0.

2、Shanghai Bada Coating Equipment Factory Co., Ltd adopts verification collection of corporate income tax. The amount of taxable income is calculated as the 5% of the revenue.

3、Pan Guang (Macao) Development One-person Co., Ltd was registered in Macao. The tax rate is 12%.

4、45 subsidiary enterprises including Hudong Heavy Machinery Co., Ltd obtain the c “High and new technology enterprise certificates”. The corporate income tax rate is 15%.

5、For twelve overseas subsidiaries, including Hualian Shipping Co., Ltd which are all registered in Hongkong. They execute the profits tax. The tax rate is 16.5%.

6、The registration place of CSSC Energy (Singapore) Co., Ltd is Sigapore. The corporate income tax is 17%.

7、The registration place of Rui Lin Marine Engineering Co., Ltd is Sigapore. The corporate income tax is 17.5%.

8、The 14 subordinate enterprises such as CSSC Property Management Co., Ltd are qualified for the identification standards of small low-profit enterprises. They pay the corporate income tax at the rate of 20%.

**VII、Business combinations and consolidated financial statements**

(I) The basic information of the subsidiaries which are included in the scope of consolidated financial statements

(Unit: RMB 0'000)

No.	Company name	Abbreviation	Level	Company type	Main place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
1	China Shipbuilding and Marine Engineering Design and Research Institute	Eighth Institute	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	32,712	100	100	51,307	1
2	China Institute of Marine Technology and Economy	Comprehensive Institute	2	4	Beijing	Beijing	Engineering and technology research and experimental development	14,495	100	100	3,594	1
3	China State Shipbuilding Industry Systems Research Institute	System Institute	2	4	Beijing	Beijing	Research on ship system engineering	138,785	100	100	73,423	1
4	China Shipbuilding Trading Co., Ltd	Trading Company	2	1	Beijing	Beijing	Other machinery equipment and wholesale of electronics	33,355	50	100	16,678	1
5	China Shipbuilding Industry Bureau of Retired Officials	Bureau of Retired Officials	2	1	Beijing	Beijing	Other unlisted services	0	50	100	0	1
6	The Eleventh Research Institute of China State Shipbuilding Corporation	Eleventh Institute	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	8,605	100	100	10,359	1
7	China Shipbuilding Industry Government Service Center	Service Center	2	4	Beijing	Beijing	Office services and living services of office employees	4,749	50	100	1,418	1
8	China CSSC Holdings Limited	China Shipbuilding	2	1	Shanghai	Shanghai	Metal shipbuilding	137,812	54.37	54.37	222,228	1
9	China Ship News Agency	News Agency	2	4	Beijing	Beijing	News industry	100	50	100	50	1
10	China Shipbuilding (Hongkong) Leasing	Leasing	2	3	Hong Kong	Hong Kong	Lease of other machinery	377,193	100	100	374,883	1

No.	Company name	Abbreviation	Level	Company type	Main place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
	Shipping Leasing Co., Ltd						and equipment					
11	CSSC Investment and Development Co., Ltd	CSSC Investment	2	1	Shanghai	Shanghai	Investment management	600,000	100	100	600,303	1
12	CSSC Shanghai Shipbuilding Industry Co., Ltd	Shanghai Company	2	1	Shanghai	Shanghai	Design, manufacture and repair of ship and marine mechanical and electrical products	1,460	100	100	4,503	1
13	CSSC Jiujiang Industry Co., Ltd	Jiujiang Company	2	1	Jiujiang	Jiujiang	Metal shipbuilding	27,116	100	100	60,341	1
14	CSSC Southern China Marine Machinery Co., Ltd	Southern China Machinery	2	1	Wuzhou	Wuzhou	Marine equipment manufacturing	34,581	100	100	36,399	1
15	CSSC Guangxi Shipping and Marine Engineering Co., Ltd	Guangxi Marine Engineering	2	1	Guangxi	Guangxi	Metal shipbuilding	88,774	51.11	81.83	35,057	1
16	CSSC Industrial Complete Logistics Co., Ltd	Logistics	2	1	Shanghai	Shanghai	Freight forwarding agent	101,504	100	100	101,504	1
17	CSSC Steel Structure Engineering Co., Ltd	Steel Structure Engineering	2	1	Shanghai	Shanghai	Marine equipment manufacturing	73,625	41.28	41.28	83,175	1
18	CSSC Power Co., Ltd	Power Company	2	1	Zhenjiang	Zhenjiang	Marine equipment manufacturing	128,715	100	100	164,216	1
19	CSSC Power Reserch Institute Co., Ltd	Power Institute	2	1	Shanghai	Shanghai	Engineering and technology research and experimental development	102,077	100	100	52,060	1
20	CSSC Electronic Technology Co., Ltd	Electronic Technology	2	1	Beijing	Beijing	Marine equipment manufacturing	100,360	100	100	92,830	1
21	Guangzhou CSSC Wenchong Shipyard Co., Ltd	Guangzhou Shipyard	2	1	Guangzhou	Guangzhou	Ship modification and repair	164,384	100	100	58,297	3
22	CSSC Finance Co., Ltd	Finance	2	2	Shanghai	Shanghai	Finance company	300,000	100	100	295,924	1

No.	Company name	Abbreviation	Level	Company type	Main place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
		company										
23	Shanghai Ruizhou Real Estate Development Co., Ltd	Ruizhou	2	1	Shanghai	Shanghai	Real estate development and management	10,000	82	82	4,200	1
24	Shanghai Ruiyuan Real Estate Development Co., Ltd	Ruiyuan	2	1	Shanghai	Shanghai	Real estate development and management	9,000	100	100	15,928	1
25	Shanghai Lu Pu Bridge Investment and Development Co., Ltd	Lu Pu Bridge	2	1	Shanghai	Shanghai	The municipal public facilities management	10,000	60	60	4,000	1
26	Shanghai Jiangnan Shipyard Co., Ltd	Fourth Line	2	1	Shanghai	Shanghai	Marine equipment manufacturing	30,941	100	100	31,272	1
27	Shanghai Ship Design and Research Institute	Shanghai Ship Institute	2	4	Shanghai	Shanghai	Engineering and technology research and experimental development	3,164	100	100	5,537	1
28	Nanjing CSSC Lvzhou Machinery Co., Ltd	Lvzhou	2	1	Nanjing	Nanjing	Marine equipment manufacturing	56,722	100	100	65,626	1
29	Jiujiang Precision Testing Technology Research Institute	Jiujiang Precision	2	4	Jiujiang	Jiujiang	Instrumentation, precision test equipment manufacturing and testing	30,360	100	100	21,861	1
30	Jiangxi Chaoyang Machinery Factory	Chaoyang	2	1	Pengze	Pengze	Marine equipment manufacturing	2,043	100	100	4,540	1
31	Jiangnan Shipyard (Group) Co., Ltd	Jiangnan	2	1	Shanghai	Shanghai	Metal shipbuilding	293,156	100	100	394,141	1
32	Hualian Shipyard Co., Ltd	Hualian	2	3	Hong Kong	Hong Kong	Trade brokers and agents	9,215	50	100	4,608	1
33	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	Hudong	2	1	Shanghai	Shanghai	Metal shipbuilding	341,725	100	100	394,016	1
34	Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd	Longxue Construction	2	5	Guangzhou	Guangzhou	The management and contraction of shipyard construction projects	2,000	100	100	2,000	1

No.	Company name	Abbreviation	Level	Company type	Main place of business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)	Entitled voting right (%)	Amount of investment	Acquisition method
35	Guangzhou Shipbuilding Co., Ltd	Guangzhou Shipbuilding Factory	2	1	Guangzhou	Guangzhou	Metal shipbuilding	15,000	100	100	15,000	1
36	CSSC Offshore and Marine Engineering (Group) Co., Ltd	CSSC Marine Engineering	2	1	Guangzhou	Guangzhou	Metal shipbuilding	141,351	59.97	59.97	155,042	1
37	Guangzhou Shipbuilding and Marine Engineering Design and Research Institute	Guangzhou Shipbuilding Institute	2	4	Guangzhou	Guangzhou	Engineering and technology research and experimental development	4,106	100	100	71	1
38	Guangzhou Shipbuilding Industry Co., Ltd	Guangzhou Company	2	1	Guangzhou	Guangzhou	Design, manufacture and repair of ship and mechanical and auxiliary equipment	7,371	100	100	96,730	1
39	Beijing Shipbuilding Industry Management Cadres Institute	Management Institute	2	4	Beijing	Beijing	Other unlisted education	628	100	100	655	1
40	CSSC Heavy Equipment Co., Ltd	CSSC Heavy Equipment	2	1	Guangzhou	Guangzhou	Marine equipment manufacturing	9,300	51	100	5,000	1
41	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	Innovation Park	2	1	Beijing	Beijing	Investment and asset management	10,000	100	100	10,000	1

Note: Company type: 1 Domestic non-financial subsidiary; 2 Domestic financial subsidiary; 3 Overseas subsidiary; 4 State-run institution; 5 Construction institution of infrastructure。

Acquisition method: 1 Established from investment; 2 Business combination under common control; 3 Business combination not under common control; 4 Others.

(II) The reason for controlling the invested unit while holding less than half of the voting rights of it

(Unit: RMB 0'000)

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason of included in the scope of consolidation
1	Steel Structure Engineering	41.28	41.28	83,175	73,625	2	Major shareholders of listed companies, substantive control
2	Jiujiang CSSC Fire Fighting Automation Co., Ltd.	43	51	200	86	4	With Shanghai Shengyu machinery and Equipment Co., Ltd. (holding 8%) signed a consensus agreement, which agree on Shanghai Shengyu and CSSC Jiujiang Ship Fire Equipment Co., Ltd. voted unanimously. CSSC Jiujiang Ship Fire Equipment Co., Ltd. actually holds 51% of the voting rights, the formation of substantive control.
3	Shanghai Jiu Sheng Architectural Design Co., Ltd.	30	30	100	30	3	The general manager and financial director of Shanghai Jiusheng architectural design limited company appointed by No.9 institute, other shareholders are natural persons. Which is the biggest shareholder having substantive control.
4	Shanghai Sino Swiss general aviation Co., Ltd.	39.39	39.39	3,300	3,300	4	Substantive control

(III) The reason for failing to control the invested unit while holding more than half of the voting rights of it directly or indirectly through other subsidiaries

(Unit: RMB 0'000)

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason of not included in the scope of consolidation
1	Shanghai Kaida Ship Economic Technology Co. Ltd.	90.00	90.00	200	180	3	Has entered the rectification process
2	Shanghai Dongxuan Technology Development Co., Ltd.	100.00	100.00	252	738	3	Intends to write off, has entered the liquidation procedures

No.	Company name	Percentage of shareholding (%)	Entitled voting right (%)	Registered capital	Investment amount	Level	The reason of not included in the scope of consolidation
3	Shanghai Donghua Economic Development Co. Ltd.	100.00	100.00	460	460	3	Intends to write off, has entered the liquidation procedures
4	Shanghai Ship Engineering Industrial Co. Ltd.	83.33	83.33	1,554	1,295	3	Has entered the rectification process
5	Anqing Far East Trade Corporation	100.00	100.00		201	4	Unable to obtain financial statements, has been closed for many years
6	Anqing Far East Color Printing Packing Factory	100.00	100.00		15	4	Unable to obtain financial statements, has been closed for many years
7	Anqing Yidong Precision Casting Factory	56.40	56.40	16	9	3	Unable to obtain financial statements, has been closed for many years
8	Beijing CSSC Gas Engineering Development Co.	100.00	100.00	55	55	3	Stop operating
9	CSSC (Europe) Co., Ltd.	100.00	100.00	488	488	2	Unable to obtain financial statements, intends to write off
10	Xuzhou CSSC Sunshine Investment Development Co., Ltd.	51.00	51.00	5,000	2,600	3	Major matters of the Board shall be passed by 2/3 or above, and shall not be substantially controlled
11	CSSC Wartsila Engine (Shanghai) Co. Ltd.	51.00	51.00	135,000	6,885	3	Foreign shareholders have one vote veto power
12	Shanghai Li Hua Shipping Co. Ltd.	90.00	90.00	500	450	4	Has entered the rectification process

## (IV) Details of non-wholly owned subsidiaries

(Unit: RMB 0' 000)

## 1. Non-controlling shareholders

No.	Name of subsidiaries	Percentage of non-controlling shareholding	Current profit or loss attributable to non-controlling shareholders	Dividend paid to non-controlling shareholders	Accumulated ending non-controlling interest
1	China CSSC Holdings Limited	48.82%	-127,311.82	1,257.67	729,942.12
2	CSSC Offshore and Marine Engineering (Group) Co., Ltd	40.53%	2,851.36	992.43	414,258.92

No.	Name of subsidiaries	Percentage of non-controlling shareholding	Current profit or loss attributable to non-controlling shareholders	Dividend paid to non-controlling shareholders	Accumulated ending non-controlling interest
3	CSSC Steel Structure Engineering Co., Ltd	58.72%	-7,426.00	678.96	212,782.78
4	China Shipbuilding Trading Co., Ltd	50.00%	5,028.63		183,888.43
5	Hualian Shipyard Co., Ltd	50.00%	235.18		40,267.63

## 2. Main financial information

Item	This year				
	China CSSC Holdings Limited	CSSC Offshore and Marine Engineering (Group) Co., Ltd	CSSC Steel Structure Engineering Co., Ltd	China Shipbuilding Trading Co., Ltd	Hualian Shipyard Co., Ltd
Current assets	1,374,565.94	3,746,134.61	3,057,749.12	672,658.61	76,471.68
Non-current assets	69,489.50	1,502,334.92	1,569,109.47	445,107.60	50,233.24
Total assets	1,444,055.43	5,248,469.53	4,626,858.58	1,117,766.21	126,704.92
Current liabilities	1,043,017.06	1,741,202.70	2,527,054.10	463,460.53	20,683.22
Non-current liabilities	36,933.54	1,821,387.23	1,058,724.54	250,980.67	26,790.51
Total liabilities	1,079,950.59	3,562,589.93	3,585,778.64	714,441.20	47,473.73
Operating revenue	338,868.17	2,145,707.04	2,334,960.49	530,415.19	21,394.41
Net profit	10,102.90	-302,178.68	8,668.82	-4,014.43	470.36
Total comprehensive income	11,899.42	-302,178.68	8,641.37	-3,221.98	4,109.53
Cash flows from operating activities	17,126.57	-396,106.17	-376,107.36	-70,211.49	12,279.14

(Continued)

Item	Last year				
	China CSSC Holdings Limited	CSSC Offshore and Marine Engineering (Group) Co., Ltd	CSSC Steel Structure Engineering Co., Ltd	China Shipbuilding Trading Co., Ltd	Hualian Shipyard Co., Ltd
Current assets	1,266,276.76	3,503,480.42	3,439,877.24	627,871.13	74,077.13
Non-current assets	80,529.52	1,629,698.23	1,459,718.19	202,582.26	51,818.08
Total assets	1,346,806.28	5,133,178.65	4,899,595.43	830,453.39	125,895.20



Item	Last year				
	China CSSC Holdings Limited	CSSC Offshore and Marine Engineering (Group) Co., Ltd	CSSC Steel Structure Engineering Co., Ltd	China Shipbuilding Trading Co., Ltd	Hualian Shipyard Co., Ltd
Current liabilities	982,978.40	2,576,772.79	2,995,942.50	351,226.75	25,725.86
Non-current liabilities	11,130.48	611,942.27	866,787.22	233,915.56	25,047.69
Total liabilities	994,108.88	3,188,715.06	3,862,729.72	585,142.32	50,773.54
Operating revenue	350,040.27	2,776,384.63	2,551,923.98	522,879.83	27,675.26
Net profit	4,222.36	-23,373.75	10,389.76	10,907.00	2,977.08
Total comprehensive income	6,354.80	-23,373.75	8,901.57	10,261.10	6,249.84
Cash flows from operating activities	17,865.35	-407,320.90	-105,825.21	-179,186.24	9,103.95

(V) Change of consolidation scope in this year

(Unit: RMB 0' 000)

## 1.Details of entities newly included in the scope of consolidation in this year

Company name	Shareholding percentage (%)	Ending net assets	Current net profit	Notes
<b>Level two subsidiary</b>				
CSSC Marine Equipment Innovation Park Investment Co., Ltd.	100.00	10,027.59	15.55	Investment establishment
<b>Level three subsidiary</b>				
Beijing CSSC Publishing Co., Ltd.	51.00	99.71	-0.29	Investment establishment
CSSC Investment Development (Shanghai) Co., Ltd.	100.00	101,683.60	1,931.85	Investment establishment
CSSC Hengyu Energy (Shanghai) Co., Ltd.	100.00	103.04	3.04	Investment establishment
CSSC (Zhejiang) Marine Technology Co., Ltd.	51.00	2,001.24	1.24	Investment establishment
CSSC Dingsheng (Shanghai) Co., Ltd.	100.00	47,898.28	1.13	Investment establishment
CSSC Lvzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	100.00	5,019.25	19.25	Investment establishment
Winterthur Gas&Diesel AG	100.00	-9,426.05	-12,265.24	business combination not under common control
<b>Level four subsidiary</b>				

Company name	Shareholding percentage (%)	Ending net assets	Current net profit	Notes
Zhoushan Haifeng General Aviation Service Co., Ltd.	100.00	720.00		Investment establishment
Shanghai CSSC Arts Crafts Emporium Technology Development Co., Ltd.	100.00	2,000.00		Investment establishment
CSSC Cruise Ship Science & Technology Development Co., Ltd.	100.00	19,977.24	-22.76	Investment establishment
<b>Level five subsidiary</b>				
CSHBShippingCompanyLimited	50.00	-446.69	-427.33	Investment establishment
CSHASShippingCompanyLimited	50.00	-465.91	-445.72	Investment establishment

## 2.Entities no longer included in the scope of consolidation in this period

No.	Company name	Place of registration	Business nature	Percentage of shareholding (%)	Entitled voting right (%)	The reason of not included in the scope of consolidation
1	Guangzhou CSSC Ship Diesel Engine Co., Ltd.	Guangzhou	Machinery manufacturing	100.00	100.00	Disposed
2	Guangzhou Wanda Ship Engineering Co., Ltd.	Guangzhou	Machinery manufacturing	100.00	100.00	Closing liquidation
3	Zhenjiang CSSC Hitachi Shipbuilding Machinery Co. Ltd.	Guangzhou	Marine equipment manufacturing	50.00	50.00	Not control
4	Zhoushan 3D Testing Co., Ltd.	Guangzhou	Quality inspection technical service	60.00	60.00	Closing liquidation
5	Zhenjiang CSSC System Integration Inc. Co.	Guangzhou	Information system integration service	51.00	51.00	Closing liquidation
6	CSSC Institute of Survey and Research Pudong Branch	Guangzhou	Geological prospecting technical service	100.00	100.00	Closing liquidation
7	Shanghai Ouxiang Steel Structure Co. Ltd.	Guangzhou	Metal ship manufacturing	60.00	60.00	Closing liquidation
8	Shanghai Ship Fittings Factory	Guangzhou	Metal ship manufacturing	100.00	100.00	Closing liquidation
9	Shanghai Hetong Labor Service Co. Ltd.	Guangzhou	Labor dispatch service	51.00	51.00	Closing liquidation
10	Shanghai Yongtong Labor Service Co. Ltd.	Guangzhou	Labor dispatch service	100.00	100.00	Closing liquidation

Company name	Date of disposal			December 31, 2015		
	Assets	Liabilities	Shareholder's equity	Assets	Liabilities	Shareholder's equity
Guangzhou CSSC Ship Diesel Engine Co., Ltd.				94,341.81	37,982.60	56,359.20
Guangzhou Wanda Ship Engineering Co., Ltd.				3,304.20	1,379.80	1,924.40

Company name	Date of disposal			December 31, 2015		
	Assets	Liabilities	Shareholder's equity	Assets	Liabilities	Shareholder's equity
Zhenjiang CSSC Hitachi Shipbuilding Machinery Co. Ltd.	15,697.95	4,364.76	11,333.18	9,242.18	3,319.97	5,922.22
Zhoushan 3D Testing Co., Ltd.	121.24			121.24		121.24
Zhenjiang CSSC System Integration Inc. Co.	134.14	10.77	123.38	211.13	90.60	120.53
CSSC Institute of Survey and Research Pudong Branch				128.12	22.88	105.24
Shanghai Ouxiang Steel Structure Co. Ltd.	778.63	29.22	749.41	1,296.47	222.73	1,073.74
Shanghai Ship Fittings Factory	2,331.81		2,331.81	2,854.45	740.75	2,113.70
Shanghai Hetong Labor Service Co. Ltd.	341.22	49.24	291.98	43.35	1.40	41.95
Shanghai Yongtong Labor Service Co. Ltd.	301.93	47.84	254.09	307.49	47.50	259.99

(Continued))

Company name	January 1, 2016-Date of disposal			January-December, 2015		
	Revenue	Expenses	Total profit	Revenue	Expenses	Total profit
Guangzhou CSSC Ship Diesel Engine Co., Ltd.				13,243.06	3,534.80	-3,676.20
Guangzhou Wanda Ship Engineering Co., Ltd.	2,023.02	1.54	2.44	13,090.57	297.00	508.34
Zhenjiang CSSC Hitachi Shipbuilding Machinery Co. Ltd.	12,664.70	758.29	476.52	10,757.63	644.11	150.13
Zhoushan 3D Testing Co., Ltd.				65.30	10.19	-23.97
Zhenjiang CSSC System Integration Inc. Co.	26.50	27.88	7.49	61.06	34.40	-29.69
CSSC Institute of Survey and Research Pudong Branch	30.58	3.39	-5.30	51.11	90.00	-98.96
Shanghai Ouxiang Steel Structure Co. Ltd.		9.86	-9.86	703.58	401.82	-459.80
Shanghai Ship Fittings Factory		60.68	354.65		6.07	6.54
Shanghai Hetong Labor Service Co. Ltd.	36.43	0.33	-5.96		-0.03	0.03
Shanghai Yongtong Labor Service Co. Ltd.	36.43	0.29	-5.89	900.32	297.33	-13.95

## (VI) Details of business combination not under common control incurred in this year

Company name	Date of purchase	Book value of net assets	Fair value of the identifiable net assets of acquiree	Transaction consideration	Goodwill	The acquiree's income	The acquiree's net profit
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		of acquire e	Amount	Method of recognitio n		Amount	Method of recognitio n	from the date of purchas e to the end of year	from the date of purchas e to the end of year
Winterthur Gas&Diesel AG	2016-06-30	-33,923.06	29,997.4	Seende	2,999.74			20,112.24	-12,265.24

Note: In January 2015, the subsidiary CSSC investment invested 70% stake in Winerthur Gas & Diesel AG, the amount of investment is 364,709,300.00 Yuan, because the other shareholders have a veto, so CSSC investment not the implementation of control, accounting by the equity method. In 2015 the investment income of -238,008,400.00Yuan, From January to June in 2016 confirmed investment income of -84,451,800.00 Yuan, confirms the other comprehensive income of -12.34 million Yuan, as of June 30, 2016, the book balance of long-term equity investment of 29,997,400.00 Yuan.

The CSSC investment acquires the remaining 30% stake in June 30, 2016, which forming a merger under the same control, the company's net assets of -339,230,600.00 Yuan. Winerthur Gas & Diesel AG total business income is the royalty fee, and the equity valuation model is based on the estimated discounted revenue. CSSC investment will be recognized as intangible assets according to the difference between its book value of the net assets and long-term equity investment book balance of 369 million 228 thousand Yuan. Intangible assets are amortized over 10 years, with an amortization of 18.46 million Yuan.

(VII) Details of changes in the portion of shareholder's equity in the subsidiaries

1. The situation of no loss control

(1) The company's free transfer of CSSC shares

May 18, 2016, according to the SASAC 《The relevant issues of approval on the China State Shipbuilding Corporation held by China's shipbuilding industry, free transfer of part of the shares》 (SASAC Chanquan [2016] No.383), The company will hold 43 million 920 thousand shares of the CSSC A shares free transferred to China COSCO. The matter was officially completed in June 15, 2016 the relevant transfer procedures, the shareholding ratio of the company to CSSC down from 54.37% at the beginning to the end of the 51.18%, free transfer of shares corresponding share of net assets and equity non tradable shares to reduce the capital surplus of 546,023,785.53 Yuan.

(2) Non-public offering from China shipbuilding steel structure engineering Limited

October 13, 2016, according to the China Securities Regulatory Commission 《The approval of the ship steel structure engineering Limited by Share Ltd to issue shares to the China State Shipbuilding Corporation to buy assets and raise matching funds》 ( Zhengjian

Approved [2016] No.2125) . The secondary subsidiaries the steel structure engineering through non-public offering of stock purchase of the company held 100% stake by the CSSC No.9 institute, selected not more than 10 qualified non-public offering of shares to raise matching funds by issuing the inquiry. As of December 31, 2016, the steel structure company has completed the issue of shares and raise matching funds, the company shareholding ratio increased from 35.21% at the beginning to the end of the 41.28%, the company paid the price (the amount of the net assets of CSSC No.9 institute) and the corresponding share of net assets of 178,182,464.84 Yuan increase in capital reserve.

### VIII、Notes to important items in the consolidated financial statements

Except for special notes, the following terms are applied into items in the following disclosed financial data. ‘Beginning of the year’ refers to January 1, 2016. ‘Ending of the year’ refers to December 31, 2016. ‘The current year’ means from January 1, 2016 to December 31, 2016. ‘Last year’ means from January 1, 2015 to December 31, 2015. Except for other notes, the currency unit is RMB.

#### (I) Monetary funds

##### 1.The balance of monetary funds

Item	Ending balance	Beginning balance
Cash on hand	4,648,606.83	5,503,518.18
Bank deposits	57,344,506,683.00	57,438,738,013.95
Other monetary funds	7,957,334,765.98	15,786,729,907.73
<b>Total</b>	<b>65,306,490,055.81</b>	<b>73,230,971,439.86</b>
Including: Total amount of money deposited overseas	502,980,251.24	208,794,447.81

##### 2.List of restricted monetary funds

Item	Ending balance	Beginning balance
Bank acceptance deposits	327,721,406.02	223,752,971.42
The letter of credit, performance and guarantee deposit	1,157,004,166.93	845,863,370.57
Time (notice) deposits for collateral or pledge	1,831,942,094.37	9,519,194,277.70
Central bank reserve	2,635,789,592.41	2,951,463,653.15
Time deposits over three months	1,450,411,320.00	890,000,000.00
Forward foreign exchange settlement deposit	214,487,666.21	490,972,762.50
Employee housing special fund	15,717,341.43	
<b>Total</b>	<b>7,633,073,587.37</b>	<b>14,921,247,035.34</b>

#### (II) Financial assets at fair value through profit or loss

Item	Ending fair value	Beginning fair value
Trading financial assets	1,965,525,818.26	3,090,009,191.04
Including: Debt instrument investments		
Equity instrument investments	25,658,388.42	18,246,428.63
Fund investments	1,939,867,429.84	3,071,762,762.41
Designated as financial assets at fair value through profit or loss	10,887,901.41	90,340,743.47
Including: Debt instrument investments		
Equity instrument investments (The convertible bonds of CSSC Lesaing)	10,887,901.41	77,277,332.36
Derivative financial instrument		13,063,411.11
<b>Total</b>	<b>1,976,413,719.67</b>	<b>3,180,349,934.51</b>

## (III) Notes receivables

## 1. Types of notes receivables

Types of notes	Ending balance	Beginning balance
Bank acceptance bill	841,256,422.26	1,665,259,090.53
Commercial acceptance bill	1,190,852,504.69	730,166,573.87
<b>Total</b>	<b>2,032,108,926.95</b>	<b>2,395,425,664.40</b>

## 2. Notes receivables pledged at the end of year

Item	Amount pledged at the end of year
Bank acceptance bill	153,223,034.76
<b>Total</b>	<b>153,223,034.76</b>

## 3. Notes receivables endorsed or discounted at the end of year and are not mature on the balance sheet date

Item	Amount derecognised at the end of year	Amount not derecognised at the end of year
Bank acceptance bill	436,538,172.52	34,116,747.85
Commercial acceptance bill	1,134,909,912.78	
<b>Total</b>	<b>1,571,448,085.30</b>	<b>34,116,747.85</b>

## 4. Notes receivables transferred to accounts receivables due to failure of the drawer's nonperformance at the end of year

Item	Amount transferred to accounts receivables at the end of year
Commercial acceptance bill	208,238,637.73
<b>Total</b>	<b>208,238,637.73</b>

## (IV) Accounts receivables

Classification	Ending balance			
	Book balance		Bad debts provision	
	Amount	Percentage (%)	Amount	Percentage (%)
1、Accounts receivable that are individually significant and are provided for bad debts on individual basis	675,484,522.18	5.79	350,573,870.47	49.97
2、Accounts receivable that are accrued for bad debts provision by credit risk characteristics portfolio	—	—	—	—
2.1、Accounts receivable from related parties	43,993,900.00	0.38		
2.2、Accounts receivable generally assured to be collected	1,095,984,130.12	9.39		
2.3、Balance percentage method	1,226,043,535.55	10.51	6,129,740.16	0.50
2.4、Accounts receivable from state-run institutes	562,913,652.32	4.83		
2.5、Aging portfolios	8,041,001,782.25	68.92	,816,777.70	7.45
Subtotal of portfolios	10,969,937,000.24	94.03	604,946,517.86	5.51
3、Accounts receivable that are individually insignificant but are individually provided for bad debts	21,158,186.26	0.18	21,158,186.26	100.00
<b>Total</b>	<b>11,666,579,708.68</b>	<b>—</b>	<b>976,678,574.59</b>	<b>—</b>

Continued:

Classification	Beginning balance			
	Book balance		Bad debts provision	
	Amount	Percentage (%)	Amount	Percentage (%)
1、Accounts receivable that are individually significant and are provided for bad debts on individual basis	329,837,359.31	2.87	300,267,005.97	91.03
2、Accounts receivable that are accrued for bad debts provision by credit risk characteristics portfolio	—	—	—	—
2.1、Accounts receivable from related parties	40,216,742.54	0.32		
2.2、Accounts receivable generally assured to be collected	660,749,687.99	5.75		
2.3、Balance percentage method	1,561,880,396.62	13.59	7,809,401.98	0.50
2.4、Accounts receivable from state-run institutes	194,067,529.66	1.69		
2.5、Aging portfolios	8,663,898,325.59	75.44	415,891,043.78	4.80
Subtotal of portfolios	11,120,812,682.40	96.79	423,700,445.76	3.81
3、Accounts receivable that are individually insignificant but are individually provided for bad debts	39,368,215.14	0.34	39,368,215.14	100.00
<b>Total</b>	<b>11,490,018,256.85</b>	<b>—</b>	<b>763,335,666.87</b>	<b>—</b>

1.Accounts receivable that are individually significant and are provided for bad debts on individual basis at the end of the year

Name of debtors	Book balance	Amount of bad debts	Aging	Accrual percent age (%)	Reason of accrual
China Offshore Oilfield Service Inc. Co. Geophysical Prospecting Division	213,136,680.00	106,770,995.27	1-2 years	50.10	There is a contract dispute, is expected to be partially recovered
Changshou City Mei Li Zhen Town Management Investment Company	209,121,639.80	1,875,744.82	Winthin 1 year	0.90	Receivables recovery are delayed, accrued according to the present value of future cash flows
Sinovel Technology (Group) Inc. Co.	51,968,574.80	51,968,574.80	2-4 years	100.00	Estimated uncollectible
Aochuangxuan (Hongkong) Shipping Co. Ltd.	39,794,577.11	39,794,577.11	2-5 years	100.00	Estimated uncollectible
Anhui Taike Tower Co., Ltd.	20,002,450.36	20,002,450.36	2-3 years	100.00	Estimated uncollectible
Shenzhen Shunchang Ocean Fishing Co., Ltd.	18,128,000.00	10,876,800.00	1-2 years	60.00	Shipowner is not operating properly, is expected to recover 40%
Wuxi Guomao Metal Products Co. Ltd.	12,855,436.68	8,807,564.68	Winthin 1 year	68.51	With a pledge, deduct the amount of collateral, accrue the difference
Germany NV Shipping Company	2,680,947.89	2,680,947.89	2-5 years	100.00	Estimated uncollectible
China Railway Electrical Engineering Co., Ltd.	2,430,000.00	2,430,000.00	2-3 years	100.00	Estimated uncollectible
Zhejiang Taike Tower Co., Ltd.	5,237,147.33	5,237,147.33	2-3 years	100.00	Estimated uncollectible
Shanghai Shipyard Six Mile Branch	5,181,309.51	5,181,309.51	4-5 years	100.00	Estimated uncollectible
KatinaCo.,Ltd	3,697,465.00	3,697,465.00	Over 5 years	100.00	Estimated uncollectible
VARADAONEPTLTD	3,624,582.50	3,624,582.50	45 months	100.00	Estimated uncollectible
Greece SekurHoldingInc	3,402,844.50	3,402,844.50	3-4 years	100.00	Estimated uncollectible
Jiangsu Rongsheng Heavy Industries Co., Ltd.	5,789,855.00	5,789,855.00	2-4 years	100.00	Estimated uncollectible
Rongcheng Shenfei Shipbuilding Co. Ltd.	2,067,800.00	2,067,800.00	Over 3 years	100.00	Estimated uncollectible
Zhejiang Zhenghe Shipbuilding Co. Ltd.	1,920,575.00	1,920,575.00	3-4 years	100.00	Estimated uncollectible
FAIRLANDENTERPRISESLIMITED	1,727,313.00	1,727,313.00	22 months	100.00	Estimated uncollectible
Shanghai Bo Bang Ship Engineering Co., Ltd.	1,689,720.00	1,689,720.00	2-3 years	100.00	Estimated uncollectible
Dalian Lianzhong Changxing Shipbuilding Co., Ltd.	1,506,000.00	1,506,000.00	3-4 years	100.00	Estimated uncollectible
KEPPELKazakhstanLLP	1,383,758.86	1,383,758.86	4-5 years	100.00	Estimated uncollectible
South Korea Pan Ocean Shipping Company	1,356,657.80	1,356,657.80	4-5 years	100.00	Estimated uncollectible
Japan JBshippingCO.,Ltd	1,225,989.04	1,225,989.04	3-4 years	100.00	Estimated uncollectible
Fujian Huaneng Shipping Company	1,200,000.00	1,200,000.00	4-5 years	100.00	Estimated uncollectible
Sinotrans German Shipping Company	1,137,476.91	1,137,476.91	2-5 years	100.00	Estimated uncollectible
Jiangsu Antai Power Machinery Co., Ltd.	1,031,231.40	1,031,231.40	5 years	100.00	Estimated uncollectible
Zhejiang Zhenghe Shipbuilding Co. Ltd.	1,022,215.00	1,022,215.00	Over 3 years	100.00	Estimated uncollectible
Longkou CIMC Offshore Co. Ltd (Longkou Sanlian Marine Engineering Co. Ltd)	1,004,000.00	1,004,000.00	4-5 years	100.00	Estimated uncollectible



Name of debtors	Book balance	Amount of bad debts	Aging	Accrual percent age (%)	Reason of accrual
Zhejiang Chenye Shipbuilding Co., Ltd. (Zhejiang Dragon Group Co., Ltd.)	9,969,780.00	9,969,780.00	Over 2 years	100.00	Estimated uncollectible
FBSHIPPING(X)LTD.	9,711,800.00	9,711,800.00	3-4 years	100.00	Estimated uncollectible
KCLShipholdingAS	9,711,800.00	9,711,800.00	3-4 years	100.00	Estimated uncollectible
Shandong Chinachem New Material Co. Ltd.	4,330,000.00	4,330,000.00	3-4 years	100.00	Estimated uncollectible
TENOAAUSTRALIAPT LTD	4,237,521.60	4,237,521.60	1-2 years	100.00	Estimated uncollectible
Guangzhou Huayu Electrical Equipment Co., Ltd.	3,956,480.68	3,956,480.68	Over 3 years	100.00	Estimated uncollectible
Zhejiang Shipping Group Zhoushan Wuzhou Shipbuilding and Repairing Co., Ltd.	3,447,000.00	3,447,000.00	2-3 years	100.00	Estimated uncollectible
WHL-FONKWANG	2,853,793.41	2,853,793.41	Over 5 years	100.00	Estimated uncollectible
Fujian Changxin Shipbuilding Heavy Industry Co., Ltd.	2,786,000.00	2,786,000.00	Over 2 years	100.00	Estimated uncollectible
WorldwideShipManagementS.A	2,261,462.00	2,261,462.00	Over 3 years	100.00	Estimated uncollectible
Nantong Pacific Ocean Engineering Co., Ltd.	2,045,712.00	2,045,712.00	1-2 years	100.00	Estimated uncollectible
CSIC Shipping Co. Ltd.	1,422,925.00	1,422,925.00	Over 2 years	100.00	Estimated uncollectible
Tianjin Muyang Fishery Inc. Co.	1,356,000.00	1,356,000.00	2-3 years	100.00	Estimated uncollectible
Zhoushan Shunxing Ocean Fisheries Co., Ltd.	1,040,000.00	1,040,000.00	Over 2 years	100.00	Estimated uncollectible
Shandong Ineng Gas Industrial Co., Ltd.	1,030,000.00	1,030,000.00	2-3 years	100.00	Estimated uncollectible
<b>Total</b>	<b>675,484,522.18</b>	<b>350,573,870.47</b>	—	—	—

2. The provision for doubtful accounts receivable according to the combination of credit risk characteristics

(1) Accounts receivables of related party

Unit name	Book balance	Amount of bad debts	Accrual percentage (%)	The reason of accrual or not
Shanghai Deruisi Huahai Ship Equipment Co., Ltd.	37,587,500.00			Associated enterprises
Shanghai Huarun Dadong Ship Engineering Co. Ltd.	6,381,100.00			Associated enterprises
Shanghai Huchuan New Business Development Co., Ltd.	16,900.00			Associated enterprises
Shanghai Green Valley Hudong Hospital Management Co. Ltd.	8,400.00			Associated enterprises
<b>Total</b>	<b>43,993,900.00</b>		—	—

(2) Accounts receivables reasonably certain to recover

Unit name	Book balance	The reason of not accrual
Customer No. 1	417,573,600.00	Recovery risk is small, is expected to recover

Unit name	Book balance	The reason of not accrual
Customer No. 2	384,821,800.00	Product warranty is expected to recover
Bohai Shipyard Group Co., Ltd.	56,680,000.00	Recovery risk is small, is expected to recover
Customer No. 3	41,320,886.85	Product warranty is expected to recover
Customer No. 4	35,358,491.70	Recovery risk is small, is expected to recover
Tianjin Waterway Bureau Co., Ltd.	20,311,325.93	The corresponding subcontract money is not paid at the same time
PT BERLIAN LAJU TANKER TBK	14,567,700.00	Recovery risk is small, is expected to recover
Customer No. 5	13,208,000.00	Product warranty is expected to recover
Shanghai Residential Construction Machinery Co., Ltd.	7,859,181.73	The corresponding subcontract money is not paid at the same time
CNOOC Energy Development Inc. Co.	7,668,904.00	Product warranty is expected to recover
COSCO KUNMING SHIPPING LIMITED	6,901,156.52	Recovery risk is small, is expected to recover
Tongji Engineering Group Co., Ltd.	6,724,307.00	The corresponding subcontract money is not paid at the same time
Bengbu Shenzhou Machinery Co., Ltd.	6,700,000.00	Recovery risk is small, is expected to recover
Shanghai Huafanghecheng Real Estate Development Co., Ltd.	6,101,950.00	The corresponding subcontract money is not paid at the same time
SAIC Motor Co., Ltd.	4,801,218.14	Recovery risk is small, is expected to recover
Hunan Building Engineering Group General Co.	4,750,421.65	The corresponding subcontract money is not paid at the same time
Shanghai Chongnan Metal Structure Co. Ltd.	4,707,832.24	Recovery risk is small, is expected to recover
Shanghai Construction Engineering Group Inc. Co.	4,265,128.80	The corresponding subcontract money is not paid at the same time
Customer No. 6	4,229,000.00	Recovery risk is small, is expected to recover
Shanghai Bojian Relocation Company	4,087,512.33	Recovery risk is small, is expected to recover
CNOOC (China) Co., Ltd.	3,594,765.77	Product warranty is expected to recover
CCCC Third Harbor Engineering Co. Ltd.	3,567,122.00	The corresponding subcontract money is not paid at the same time
Wuhan Marine Machinery Co., Ltd.	3,490,267.19	Recovery risk is small, is expected to recover
Geophysical Exploration Institute of China	2,415,870.01	Recovery risk is small, is

Unit name	Book balance	The reason of not accrual
Metallurgical Geological Bureau		expected to recover
Shanghai Taopu Technology Smart City Development Co. Ltd.	1,888,829.44	The corresponding subcontract money is not paid at the same time
Jianglong Boats Polytron Technologies Inc Zhongshan Branch	1,455,185.22	Recovery risk is small, is expected to recover
Shanghai Foundation Engineering Co., Ltd.	1,221,336.00	The corresponding subcontract money is not paid at the same time
Beijing Tianmu Voyage Aviation Technology Co. Ltd.	1,157,000.00	Recovery risk is small, is expected to recover
Qingdao Shipyard Co., Ltd.	1,142,000.00	Recovery risk is small, is expected to recover
Beijing TRS Information Technology Inc. Co.	1,120,000.00	Recovery risk is small, is expected to recover
Basically certain to recover ( less than 1 million )	22,293,337.60	Recovery risk is small, is expected to recover
<b>Total</b>	<b>1,095,984,130.12</b>	

## (3) Accounts receivable that are provided for bad debts by aging analysis

Aging	Ending balance			Beginning balance		
	Book balance		Bad debts provision	Book balance		Bad debts provision
	Amount	Percentage (%)		Bad	debts	
Within 1 year (Including 1 year)	6,752,107,948.66	83.97	65,307,740.92	7,704,497,116.40	88.93	9,764,495.04
1-2 years (Including 2 years)	703,630,308.47	8.75	153,877,879.84	550,206,325.10	6.35	106,807,298.60
2-3 years (Including 3 years)	280,895,858.84	3.49	115,037,986.68	182,225,121.30	2.10	88,938,651.84
Over 3 years	304,367,666.28	3.79	264,593,170.25	226,969,762.79	2.62	210,380,598.30
<b>Total</b>	<b>8,041,001,782.25</b>	<b>—</b>	<b>598,816,777.70</b>	<b>8,663,898,325.59</b>	<b>—</b>	<b>415,891,043.78</b>

## 3. Accounts receivable that are individually insignificant but are provided for bad debts on individual basis at the end of the year

Name of debtors	Book balance	Amount of bad debts	Aging	Accrual percentage (%)	Reason of accrual
Chongqing Far East Fuji Electrical Company	894,670.00	894,670.00	Over 5 years	100.00	Estimated uncollectible
Jiujiang Tongfang New Shipbuilding Co., Ltd.	875,020.00	875,020.00	Over 4 years	100.00	Estimated uncollectible
Executive Ship Management Pte. Ltd.	860,188.00	860,188.00	3-4 years	100.00	Estimated uncollectible
Changzhi Jinze Biological Engineering Co. Ltd.	740,000.00	740,000.00	4-5 years	100.00	Estimated uncollectible

## Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Name of debtors	Book balance	Amount of bad debts	Aging	Accrual percentage (%)	Reason of accrual
Fuzhou Hongjia Electronic Technology Company	653,188.00	653,188.00	Over 5 years	100.00	Estimated uncollectible
STX Marine Service Co.,Ltd	648,262.65	648,262.65	Over 3 years	100.00	Estimated uncollectible
Shaanxi Jingbian Xingyuan Industrial Co. Ltd.	630,060.00	630,060.00	3-4 years	100.00	Estimated uncollectible
Nanning Daming Electric Iron Tower Co., Ltd.	627,517.61	627,517.61	2-3 years	100.00	Estimated uncollectible
Jiujiang Yinxing Shipbuilding Co. Ltd.	620,500.00	620,500.00	Over 4 years	100.00	Estimated uncollectible
Canada RICHMOND Shipping Company	609,690.00	609,690.00	4-5 years	100.00	Estimated uncollectible
Zhejiang Zhenghe Shipbuilding Co. Ltd.	595,000.00	595,000.00	Over 2 years	100.00	Estimated uncollectible
Fukang City Tianbao Structural Steel Casting Co. Ltd.	580,000.00	580,000.00	3-4 years	100.00	Estimated uncollectible
Henan Changtai Stainless Steel Plate Inc. Co.	570,000.00	570,000.00	4-5 years	100.00	Estimated uncollectible
Shanghai Ship Accessory Factory	530,600.00	530,600.00	4-5 years	100.00	Estimated uncollectible
Qinhuangdao China Shipping Heavy Industry Co., Ltd.	520,400.00	520,400.00	Over 4 years	100.00	Estimated uncollectible
Xixiakou Group Co. Ltd.	514,912.00	514,912.00	Over 5 years	100.00	Estimated uncollectible
Zhejiang Zhenghe Shipbuilding Co. Ltd.	483,650.00	483,650.00	Over 3 years	100.00	Estimated uncollectible
Jiangsu Yangzi Shipyard Co., Ltd.	425,085.60	425,085.60	Over 5 years	100.00	Estimated uncollectible
Zhejiang Zhuangji Shipbuilding Co. Ltd.	400,000.00	400,000.00	4-5 years	100.00	Estimated uncollectible
Shanghai Jiuzhuo Metal Material Co. Ltd.	380,546.78	380,546.78	2-3 years	100.00	Estimated uncollectible
Taiyuan Qianhong Metal Processing Co. Ltd.	377,000.00	377,000.00	3-4 years	100.00	Estimated uncollectible
Taizhou Ziguang Water Industry Company	356,600.00	356,600.00	4-5 years	100.00	Estimated uncollectible
Weihai Rongcheng Sailing Ship Manufacturing Co. Ltd.	350,000.00	350,000.00	4-5 years	100.00	Estimated uncollectible
Jiangsu Antai Power Machinery Co., Ltd.	318,432.00	318,432.00	1-2 years	100.00	Estimated uncollectible
Jiangxi Jiangzhou Joint Shipbuilding Co. Ltd.	296,597.50	296,597.50	Over 1 year	100.00	Estimated uncollectible
Wuhan Heavy Machinery Group Co., Ltd. Daye branch	290,000.00	290,000.00	4-5 years	100.00	Estimated uncollectible
Shanghai New World Co., Ltd.	280,000.00	280,000.00	4-5 years	100.00	Estimated uncollectible
Chongqing South Group Corporation	263,698.87	263,698.87	Over 5 years	100.00	Estimated uncollectible
Shanghai Zhenhua Heavy Industry (Group) Inc. Co.	250,000.00	250,000.00	4-5 years	100.00	Estimated uncollectible
Shanghai Deshijing Pipeline Manufacturing Co. Ltd.	249,624.31	249,624.31	Over 3 years	100.00	Estimated uncollectible
Nantong Runde Shipping Engineering Co. Ltd.	240,000.00	240,000.00	4-5 years	100.00	Estimated uncollectible
Tianjin Yijiejia Technology Co., Ltd.	238,820.01	238,820.01	Over 3 years	100.00	Estimated uncollectible
Zhejiang Pacific Shipping Co., Ltd.	230,000.00	230,000.00	Over 5 years	100.00	Estimated uncollectible

## Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Name of debtors	Book balance	Amount of bad debts	Aging	Accrual percentage (%)	Reason of accrual
Qingdao Qiyao Wartsila MHI Linshan Marine Diesel Engine Co. Ltd.	225,000.00	225,000.00	4-5 years	100.00	Estimated uncollectible
Shanghai Wang Ding Furnace Engineering Technology Co., Ltd.	220,000.00	220,000.00	4-5 years	100.00	Estimated uncollectible
Qingdao Haier Special Electric Refrigerator Co., Ltd.	208,000.00	208,000.00	Over 3 years	100.00	Estimated uncollectible
Zhoushan Wison Offshore Engineering Co. Ltd	200,000.00	200,000.00	4-5 years	100.00	Estimated uncollectible
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	Over 3 years	100.00	Estimated uncollectible
Shanghai Tongzhe Construction Planning and Design Co. Ltd.	171,250.00	171,250.00	4-5 years	100.00	Estimated uncollectible
Jiangsu New Yangzi Shipbuilding Co. Ltd.	168,000.00	168,000.00	4-5 years	100.00	Estimated uncollectible
Chinese Refrigerator Industry Co. Ltd.	166,510.00	166,510.00	Over 3 years	100.00	Estimated uncollectible
Shanghai Zhenhua Heavy Industry (Group) Inc. Co.	151,000.00	151,000.00	3-4 years	100.00	Estimated uncollectible
Huaian Jin Jie Properties Co. Ltd.	150,000.00	150,000.00	4-5 years	100.00	Estimated uncollectible
China Railway twelve Bureau Group Construction and Installation Engineering Co., Ltd.	138,281.00	138,281.00	Over 3 years	100.00	Estimated uncollectible
Little Swan (Jingzhou) Electric Appliance Co., Ltd.	120,985.49	120,985.49	Over 3 years	100.00	Estimated uncollectible
Hefei Hualing Inc. Co.	117,000.00	117,000.00	Over 3 years	100.00	Estimated uncollectible
Wuhan Yuji Properties Co., Ltd.	105,500.00	105,500.00	Over 5 years	100.00	Estimated uncollectible
Wuchang Ship Heavy Industry Group Co., Ltd.	100,200.00	100,200.00	4-5 years	100.00	Estimated uncollectible
Anhui Guosheng Real Estate Development Co., Ltd.	100,000.00	100,000.00	4-5 years	100.00	Estimated uncollectible
Shanghai ZhuZong Group Construction Development Co. Ltd.	100,000.00	100,000.00	4-5 years	100.00	Estimated uncollectible
CYTS Properties Co. Ltd.	100,000.00	100,000.00	4-5 years	100.00	Estimated uncollectible
Wuhan Steel Materials Trading Co., Ltd.	100,000.00	100,000.00	Over 3 years	100.00	Estimated uncollectible
Fengshun Construction Inc. Co.	100,000.00	100,000.00	2-3 years	100.00	Estimated uncollectible
Shengli Oil Field	100,000.00	100,000.00	Over 3 years	100.00	Estimated uncollectible
Others (less than 100 thousand)	2,236,817.09	2,236,817.09		100.00	Estimated uncollectible
<b>Total</b>	<b>21,158,186.26</b>	<b>21,158,186.26</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 4. Bad debts provision recovered or reversed

Name of debtors	Amount of recovered or reversed	Accumulated provision for doubtful debts before recovering of reversing	Reason and method of recovering of reversing
THYSSENKRUPP MATERIALS HANDLING	9,658,385.10	9,658,385.10	Repay a debt with warranty fee

Name of debtors	Amount of recovered or reversed	Accumulated provision for doubtful debts before recovering of reversing	Reason and method of recovering of reversing
Taicang Wison Offshore Engineering Co. Ltd	4,700,000.00	4,700,000.00	Execution of court to recover
VARADA ONE PTE LTD	3,288,303.75	6,493,600.00	Insurance company claims
Shanghai Zhenhua Heavy Industry (Group) Inc. Co.	330,000.00	330,000.00	The money has been recovered
Zhoushan Changhong International Shipbuilding Co. Ltd.	67,620.00	67,620.00	Receive payment
Yin Ganhui	36,000.00	36,000.00	Receive payment
Fuzhou Hongjia Electronic Technology Company	35,000.00	35,000.00	Receive payment
Guangzhou Meiluo WEBFORGE Co., Ltd	35,000.00	35,000.00	Receive payment
Zhejiang Daishan County Haizhou Shipbuilding Co. Ltd.	30,000.00	30,000.00	The money has been recovered
Zhuhai Pacific Yuexin Ocean Engineering Co. Ltd.	4,052.88	4,052.88	Receive payment
Guangzhou Southern Shipbuilding Co. Ltd.	929.25	929.25	Receive payment
<b>Total</b>	<b>18,185,290.98</b>	<b>21,390,587.23</b>	<b>—</b>

## 5. Accounts receivable actually written off this year

Name of debtors	Nature of accounts receivable	Write off amount	The reason of write off	Performance of write off procedure	Whether or not due to related party transactions
Jiangsu Yunbai Trading Co. Ltd.	Trade	22,335,824.54	Court decision	Asset write off approval	No
Wuxi City Prosperous Material Co. Ltd.	Trade	15,742,388.00	Court decision	Asset write off approval	No
ASTA LTD-KINGSTOWN ST.VINCENT AND THE GRENADINES C/O	Ship repairing	5,523,586.25	Can not be recovered after working hard	Office meeting decision	No
Rushan Shipbuilding Co., Ltd.	Payment for goods	1,879,500.00	Has been a long time, can not be recovered	Group company approval	No
Beijing International Hospital Group Southwest Synthetic Pharmaceutical Inc. Co.	Project funds	1,400,000.00	Lawsuit result	Asset write off approval	No
Ningbo Beilun Lantian Shipbuilding Co. Ltd.	Payment for goods	990,000.00	Has been a long time, can not be recovered	Group company approval	No
Changshu Daniel Metallurgical Equipment Co., Ltd.	Project funds	700,000.00	Fine	Asset write off approval	No
Guilin Hongyun Elevator Company	Payment and warranty	398,250.00	Can not be recovered after working hard	Asset write off approval	No
Penglai Bohai Shipbuilding Co. Ltd.	Payment for goods	392,000.00	Has been a long time, can not be recovered	Group company approval	No

## Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Name of debtors	Nature of accounts receivable	Write off amount	The reason of write off	Performance of write off procedure	Whether or not due to related party transactions
Qingdao Jieneng Steam Turbine Inc. Co.	Payment for goods	346,204.00	Long-term on credit, unable to recover	Asset write off approval	No
Zhejiang Jingang Shipbuilding Inc. Co.	Payment for goods	304,500.00	Has been a long time, can not be recovered	Group company approval	No
Liu'an Third People's Hospital Co., Ltd.	Project settlement	271,431.00	Confirm unable to recover	General manager office meeting	No
Anhui Tobacco Reconstituted Tobacco Science and Technology Co., Ltd.	Project funds	265,565.69	Maintenance costs unable to recover	Asset write off approval	No
Jiujiang Yinxing Shipbuilding Co. Ltd.	Payment for goods	262,400.00	Has been a long time, can not be recovered	Group company approval	No
Nanjing Huatai Shipping Co. Ltd.	Payment for goods	180,000.00	Has been a long time, can not be recovered	Group company approval	No
Jiangsu Taihu Boiler Inc. Co.	Payment for goods	170,379.70	Payment unable to recover	Asset write off approval	No
Liaoning Hongguan Shipbuilding Co. Ltd.	Payment for goods	153,000.00	Has been a long time, can not be recovered	Group company approval	No
Nanjing Tian Shun Shipping Co. Ltd.	Payment for goods	147,750.00	Has been a long time, can not be recovered	Group company approval	No
Quanzhou Shipbuilding Industry Co., Ltd.	Payment for goods	141,600.00	Has been a long time, can not be recovered	Group company approval	No
Chongqing Guangchuan Elevator Co. Ltd.	Payment and warranty	129,999.76	Can not be recovered after working hard	Asset write off approval	No
Ma'anshan Boyu Heavy Machine Co. Ltd.	Payment for goods	124,032.45	Long-term on credit, unable to recover	Asset write off approval	No
Chongqing Yicheng Real Estate Company	Payment and warranty	123,465.32	Can not be recovered after working hard	Asset write off approval	No
Huatai Heavy Industry (Nantong) Co., Ltd.	Payment for goods	118,980.00	Has been a long time, can not be recovered	Group company approval	No
Bohai Ship Heavy Industry Co., Ltd.	Payment for goods	114,410.46	Has been a long time, can not be recovered	Asset write off approval	No
Dalian Yingshun Maritime Technical Consulting Co. Ltd.	Payment for goods	108,300.00	Has been a long time, can not be recovered	Group company approval	No
Nantong Dongxin Ship Heavy Industry Co. Ltd.	Old debts	85,800.00	Repayment preference	Asset write off approval	No
Yangzhou Guoyu Shipbuilding Co. Ltd.	Payment for goods	85,550.00	Has been a long time, can not be recovered	Group company approval	No
Fujian Mawei Shipbuilding Inc. Co.	Bad debt	77,000.00	Can not be recovered	Board of directors approval	No
Zhoushan Jing Bo Ship Industry Development Research Institute	Bad debt	68,700.00	Can not be recovered	Board of directors approval	No
Taixing Marine Auxiliary Machinery Factory	Payment for goods	61,150.00	Long-term on credit, unable to recover	Internal approval	No
Ningbo Jiesheng Marine Development Co. Ltd	Payment for goods	60,100.00	Has been a long time, can not be recovered	Group company approval	No
Jiangsu Yichun Wujiazui Shipbuilding Heavy Industry Co., Ltd.	Payment for goods	57,800.00	Has been a long time, can not be recovered	Group company approval	No

Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Name of debtors	Nature of accounts receivable	Write off amount	The reason of write off	Performance of write off procedure	Whether or not due to related party transactions
Tsuji Heavy Industries (Jiangsu) Co., Ltd.	Payment for goods	49,600.00	Has been a long time, can not be recovered	Group company approval	No
On account	Payment for goods	48,434.39	Long-term on credit, unable to recover	Asset write off approval	No
Zhejiang Chenye Shipbuilding Co., Ltd.	Bad debt	47,500.00	Can not be recovered	Board of directors approval	No
Nanjing Changjiang Tanker Zijinshan Shipyard Factory	Payment for goods	46,700.00	Has been a long time, can not be recovered	Group company approval	No
Ming Fei Industrial Company	Payment for goods	44,300.00	For a long time, unable to find the debtor	Capital verification approval	No
Jiangsu Jiuzhou Shipping Co. Ltd.	Payment for goods	43,900.00	Has been a long time, can not be recovered	Group company approval	No
Xinshun Shipping Group Co., Ltd.	Payment for goods	42,200.00	Has been a long time, can not be recovered	Group company approval	No
Shanghai Changjiang Shipping Corporation Minnan Shipyard	Payment for goods	40,800.00	Has been a long time, can not be recovered	Group company approval	No
Nanjing Jixin Heavy Machinery Co., Ltd.	Payment for goods	35,012.80	Long-term on credit, unable to recover	Asset write off approval	No
China Ship Fuel Supply Dalian Company	Payment for goods	31,400.00	Has been a long time, can not be recovered	Group company approval	No
Fujian Zhongzheng Industry & Trade Co. Ltd.	Payment for goods	30,000.00	Has been a long time, can not be recovered	Group company approval	No
Nanjing Huamao Metal Heat Treatment Co. Ltd.	Payment for goods	28,724.00	Long-term on credit, unable to recover	Asset write off approval	No
Zhejiang Kaiyuan Installation Group Co., Ltd. Sixth Branch	Payment for goods	23,400.00	Consultation between the two sides, no longer paid	Asset write off approval	No
Guangzhou Weikang Coking Equipment Technology Co. Ltd.	Project funds	21,429.00	Through the collection, unable to recover due to quality reason	The company's assets verification regulations	No
Shanghai Dituo Building Decoration Engineering Co., Ltd.	Project settlement	20,000.00	Confirm unable to recover	General manager office meeting	No
XU Hong	Rent	20,000.00	Out of court settlement, 20000 yuan relief of property charges	Board resolution	No
Nanjing No 1 Building Materials	Payment for goods	18,214.64	Long-term on credit, unable to recover	Asset write off approval	No
Xinji Ningfeng Starch Sugar Co. Ltd.	The tail section of segregating unit	18,200.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Inner Mongolia Tongliao Tongde Starch Co. Ltd	The tail section of segregating unit	17,890.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shandong Xiangchi grain & Oil Co. Ltd.	The tail section of segregating unit	17,610.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Jiangsu Changshou Coal Oil Co. Ltd.	The tail section of segregating unit	17,500.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Taizhou Sanfu Ship Engineering Co. Ltd.	Payment for goods	16,800.00	Has been a long time, can not be recovered	Group company approval	No
Shandong Chiping Guangming Starch Factory	The tail section of segregating unit	16,769.79	Long time aging, repeatedly calls to no avail	Asset write off approval	No



## Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Name of debtors	Nature of accounts receivable	Write off amount	The reason of write off	Performance of write off procedure	Whether or not due to related party transactions
Shandong Zaozhuang Qingtan Starch Factory	The tail section of segregating unit	16,732.90	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shanxi Hongda Corn Development Co. Ltd.	The tail section of segregating unit	15,433.20	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shanghai Zhengyang Real Estate Co. Ltd.	Project settlement	15,257.00	Confirm unable to recover	General manager office meeting	No
Hebei Changli Starch Factory	The tail section of segregating unit	15,132.25	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Sichuan Wusheng Heyuan Biological Co. Ltd.	The tail section of segregating unit	15,000.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shanghai Jinxing Machinery Industry Co., Ltd.	The tail section of segregating unit	14,382.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Xingtai Dacaozhuang Sanlu Dairy Co. Ltd.	The tail section of segregating unit	13,900.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Heilongjiang Agriculture and Animal Husbandry Development Company	The tail section of segregating unit	13,750.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shandong Degussa Kaisai Biological Technology Co. Ltd.	The tail section of segregating unit	13,500.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Dehui Hongyuan Feed Inc. Co.	The tail section of segregating unit	13,220.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shandong Tengzhou Commodity Group Starch Factory	The tail section of segregating unit	13,200.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Jiangdu Xinhua Shipyard	Payment for goods	13,000.00	Has been a long time, can not be recovered	Group company approval	No
Fujian Guanhai Shipbuilding Industry Co. Ltd.	Payment for goods	13,000.00	Has been a long time, can not be recovered	Group company approval	No
Cecec Housing Company	Payment for goods	12,000.00	For a long time, unable to find the debtor	Capital verification approval	No
Hebei Shijiazhuang Zhong Ying Starch Co. Ltd.	The tail section of segregating unit	11,840.16	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Zhengzhou Jinghua Starch Engineering Co. Ltd.	The tail section of segregating unit	11,656.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shanghai Shenhua Aluminum Foil Co. Ltd.	Project settlement	10,500.00	Confirm unable to recover	General manager office meeting	No
Guangdong Laili Cake Industry Co. Ltd.	The tail section of segregating unit	10,409.50	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Huainan Xicheng Paper Factory	The tail section of segregating unit	10,000.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shandong Liaocheng Risheng Chemical Co. Ltd.	The tail section of segregating unit	10,000.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Henan Jiyuan Zhengxing Corn Development Co. Ltd.	The tail section of segregating unit	8,817.30	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shandong Linghua Monosodium Inc. Co.	The tail section of segregating unit	8,738.68	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shanghai Yousi Building Decoration Co., Ltd.	Project settlement	7,000.00	Confirm unable to recover	General manager office meeting	No

Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Name of debtors	Nature of accounts receivable	Write off amount	The reason of write off	Performance of write off procedure	Whether or not due to related party transactions
Shandong Tengzhou Heng Ren Starch Co. Ltd.	The tail section of segregating unit	6,439.16	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Yantai Raffles Offshore Engineering Co. Ltd.	Payment for goods	6,400.00	Has been a long time, can not be recovered	Group company approval	No
Jiangsu Yangzijiang Shipbuilding Co. Ltd.	Payment for goods	6,128.16	Has been a long time, can not be recovered	Group company approval	No
Luohe Hengrui Chemical Co. Ltd.	The tail section of segregating unit	4,810.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shanghai Chunzhou Furniture Co., Ltd.	Project settlement	4,680.36	Confirm unable to recover	General manager office meeting	No
Jingjiang shipyard (New Century Shipbuilding Co. Ltd.)	Payment for goods	4,480.00	Has been a long time, can not be recovered	Group company approval	No
Shandong Yishui Luzhou Food Factory	The tail section of segregating unit	4,241.20	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Fujian Changxin Shipbuilding Heavy Industry Co. Ltd.	Payment for goods	4,000.00	Has been a long time, can not be recovered	Group company approval	No
Zhuhai Mingtai Fine Chemical Co. Ltd.	The tail section of segregating unit	3,191.50	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Shenyang Military District Ningguan Starch Factory	The tail section of segregating unit	2,094.50	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Sichuan Guojai Industrial Co. Ltd.	The tail section of segregating unit	1,998.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Hubei Fenghuang Tianyu Potato Industry Co., Ltd.	The tail section of segregating unit	1,375.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Liaoning Fushun Starch Factory	The tail section of segregating unit	1,269.90	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Liaoning Fushun Luzhou Starch Sugar Products Co. Ltd.	The tail section of segregating unit	1,143.75	Long time aging, repeatedly calls to no avail	Asset write off approval	No
39 Network Co. Ltd.	Busy line charge	480.00	Confirm unable to recover, approval write off	Chairman approval	No
Hubei Jingzhou Tianma Chemical Co. Ltd.	The tail section of segregating unit	249.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
Yunnan Gejiu Starch Factory	The tail section of segregating unit	228.00	Long time aging, repeatedly calls to no avail	Asset write off approval	No
<b>Total</b>		<b>53,855,729.31</b>	<b>—</b>	<b>—</b>	<b>—</b>

6. Top five accounts receivable that are summed up by the balances of debtors

Name of debtors	Book balance	Percentage of total accounts receivable (%)	Bad debts provision
Customer No. 1	1,052,942,220.00	9.03	
Customer No. 2	597,800,000.00	5.12	2,989,000.00
Customer No. 3	384,821,800.00	3.30	
Customer No. 4	332,069,469.00	2.85	
Customer No. 5	312,667,200.00	2.68	
<b>Total</b>	<b>2,680,300,689.00</b>	<b>22.97</b>	<b>2,989,000.00</b>

## (V) Prepayments

## 1. Aging of prepayments

Aging	Ending balance			Beginning balance		
	Book balance		Bad debts provision	Book balance		Bad debts provision
	Amount	Percent age (%)		Amount	Percent age (%)	
Within 1 year	17,986,256,859.54	64.71	14,910,506.11	21,550,655,373.14	80.45	374,620.42
1-2 years	7,253,781,424.60	26.10	29,477,300.84	3,705,563,402.35	13.84	28,328,165.74
2-3 years	1,238,708,360.50	4.46	18,808,974.49	790,919,091.57	2.95	16,088,843.21
Over 3 years	1,313,452,989.78	4.73	4,953,730.33	739,863,827.00	2.76	10,423,376.69
<b>Total</b>	<b>27,792,199,634.42</b>	<b>—</b>	<b>68,150,511.77</b>	<b>26,787,001,694.06</b>	<b>—</b>	<b>55,215,006.06</b>

## 2. The situation of large prepayment with ageing of more than 1 year

Creditor unit	Debtor unit	Ending balance	Aging	Unsettled reason
Jiangnan	China Electronic Technology Group Corporation A Research Institute	909,790,000.00	1-2 years	Not to the settlement node
Jiangnan	China Shipbuilding Industry Corp B Research Institute	743,844,000.00	1-2 years	Not to the settlement node
Jiangnan	China Shipbuilding Industry Corp C Research Institute	494,927,000.00	1-2 years	Not to the settlement node
Huangpu Wenchong	EMERINTERNATTONALLIMITED	302,195,059.03	1-2 years	Equipment not accepted
Hudong	MANDIEELSE	224,687,421.41	Over 5 years	The contract did not expire
<b>Subtotal</b>		<b>2,675,443,480.44</b>	<b>—</b>	<b>—</b>

## 3. Top five prepayments that are summed up by the balances of debtors

Name of debtors	Book balance	Percentage of total prepayments (%)	Bad debts provision
China Electronic Technology Group Corporation A Research Institute	1,616,800,000.00	5.82	
China Shipbuilding Industry Corp B Research Institute	1,005,227,000.00	3.62	
China Shipbuilding Industry Corp C Research Institute	816,182,300.00	2.94	
China Precision Machinery Import and Export Co., Ltd.	630,291,041.98	2.27	
CAMERONINTERNATIONALCORPORATION	630,125,611.11	2.27	
<b>合计</b>	<b>4,698,625,953.09</b>	<b>16.92</b>	

## (VI) Interest receivables

## 1. Classification of interest receivables

Item	Ending balance	Beginning balance
Fixed deposits	369,512,086.34	617,259,834.71
Entrusted loans	3,413,527.40	
Bond investments	42,028,150.00	48,411,970.00
Financial products guaranteed by bank on principals		55,127,808.20
Others	98,479.17	12,632,901.28
<b>Total</b>	<b>415,052,242.91</b>	<b>733,432,514.19</b>

## 2. Important overdue interest

None.

## (VII) Dividend receivable

Item	Ending balance	Beginning balance	Reason of being not recovered	Whether impaired and the judgement basis
Dividend receivable of aging within 1 year	589,985.60	549,992.00		
Including: Shanghai Nanlin Storage and Transportation Co., Ltd	500,000.00	500,000.00		No
Nanjing Luzhou Craft Equipment Co., Ltd	89,985.60	49,992.00		No
Dividend receivable of aging over 1 year	23,847,902.57	25,635,116.05		
Including : Shanghai Jiangnan Construction General Contract Company	22,000,000.00	22,000,000.00	Financial strain	No
Kunshan Ji Hai Co., Ltd	1,847,902.57		Unpaid	No
Shanghai Nanlin Storage and Transportation Co., Ltd		3,000,000.00	Financial strain	
Guangzhou Economic and Technological Development Zone Southern China Special Coating Industrial Co., Ltd		635,116.05	Financial strain	
<b>Total</b>	<b>24,437,888.17</b>	<b>26,185,108.05</b>	<b>—</b>	<b>—</b>

## (VIII) Other receivables

Classification	Ending balance			
	Book balance		Bad debts provision	
	Amount	Percentage (%)	Amount	Percentage (%)
1、Other receivables that are individually significant and are provided for bad debts on individual basis	538,301,050.81	26.71	423,436,256.65	78.66
2、Accounts receivable that are accrued for bad debts provision by credit risk characteristics portfolio	—	—	—	
2.1、Other receivable from related parties	2,152,146.44	0.11		

Classification	Ending balance			
	Book balance		Bad debts provision	
	Amount	Percentage (%)	Amount	Percentage (%)
2.2、Other receivable generally to be collected	567,255,469.84	28.15		
2.3、Balance percentage portfolio	70,950,916.89	3.52	354,754.58	0.5
2.4、Accounts receivable from state-run institutes	40,549,502.18	2.01		
2.3、Aging portfolios	788,753,803.79	39.14	149,281,869.60	18.93
Subtotal of portfolios	1,469,661,839.14	72.94	149,636,624.18	10.18
3、Other receivables that are individually insignificant but are individually provided for bad debts	7,064,933.87	0.35	7,064,933.87	100.00
<b>Total</b>	<b>2,015,027,823.82</b>	<b>—</b>	<b>580,137,814.70</b>	<b>—</b>

(Continued)

Classification	Beginning balance			
	Book balance		Bad debts provision	
	Amount	Percentage (%)	Amount	Percentage (%)
1、Other receivables that are individually significant and are provided for bad debts on individual basis	431,601,356.05	16.58	357,469,930.46	82.82
2、Accounts receivable that are accrued for bad debts provision by credit risk characteristics portfolio	—	—	—	—
2.1、Other receivable from related parties	605,645,352.81	23.30	3,016,949.08	0.50
2.2、Other receivable generally to be collected	1,044,401,902.56	40.18		
2.3、Balance percentage portfolio	94,475,594.29	3.63	472,277.97	0.50
2.4、Accounts receivable from state-run institutes	18,612,260.43	0.72		
2.3、Aging portfolios	402,895,410.36	15.37	188,678,595.52	46.83
Subtotal of portfolios	2,166,030,520.45	83.22	192,167,822.57	8.87
3、Other receivables that are individually insignificant but are individually provided for bad debts	5,030,426.68	0.20	5,030,426.68	100.00
<b>Total</b>	<b>2,602,662,303.18</b>	<b>—</b>	<b>554,668,179.71</b>	<b>—</b>

1. Other receivable that are individually significant and are provided for bad debts on individual basis at the end of the year

Name of debtors	Book balance	Bad debts provision	Aging	Accrual percentage (%)	Reason of accrual
Dongguan Jin Ming Trading Co., Ltd	131,936,924.88	85,759,001.17	Over 2 years	65.00	Entered the phase of proceedings
Shanghai Yi Xiu Oil Inc. Co.	87,987,039.23	26,396,111.77	1-2 years	30.00	Entered the phase of proceedings
Xuzhou Taifa Special Steel Technology Co., Ltd	53,834,689.89	53,834,689.89	2-3 years	100.00	Entered the phase of proceedings
Shanghai State Metallurgical Kailai Industrial Co., Ltd	46,609,482.25	46,609,482.25	Over 3 years	100.00	Entered the phase of proceedings

## Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Name of debtors	Book balance	Bad debts provision	Aging	Accrual percentage (%)	Reason of accrual
Guangdong Dahua Energy Co., Ltd	45,570,269.13	45,570,269.13	Over 2 years	100.00	Entered the phase of proceedings
Nanjing Oasis Equipment Installation Engineering Co., Ltd	33,373,640.47	26,277,697.48	3-4 years	78.74	There is a pledge, deducted from the amount of collateral, accrue the the full amount of the difference
Rui Zhou Real Estate Co.	21,000,000.00	21,000,000.00	Over 5 years	100.00	Negotiate with the otherside, confirm that can not be recovered
Jiangsu Changlong Technology Co., Ltd.	17,825,925.87	17,825,925.87	2-3 years	100.00	Entered the phase of proceedings
Donghai Shipyard	17,735,550.26	17,735,550.26	Over 5 years	100.00	The other party is bankrupt
Shanxi Energy General Corporation Lingshi Branch	11,600,000.00	11,600,000.00	3 years	100.00	Entered the phase of proceedings
Hong Kong Guang Hong International Co., Ltd	10,340,232.15	10,340,232.15	Over 5 years	100.00	Debt offset, failed to recover the debt as expected
Zhou Xi Electric Appliance Factory	10,218,987.50	10,218,987.50	2-3 years	100.00	Assets to be written off
Yongan Property Insurance Co., Ltd Hubei Branch	10,006,031.65	10,006,031.65	Over 5 years	100.00	Litigation time relatively long
CHEN Xiang	8,561,139.77	8,561,139.77	Within 1 year	100.00	Objective evidence indicates that it will not be able to recover the original terms of the receivables
Ji'Nan Zhongyou Huatie Petroleum Products Sales Co., Ltd	7,784,220.00	7,784,220.00	3 years	100.00	Entered the phase of proceedings
Tsuji Heavy Industries (Jiangsu) Co., Ltd	7,105,055.00	7,105,055.00	Over 5 years	100.00	Enter the bankruptcy reorganization
Guangzhou Dayou Coal Sales Co., Ltd	6,112,715.01	6,112,715.01	Over 2 years	100.00	Entered the phase of proceedings
Chongming Electric Power Co., Ltd	5,500,700.00	5,500,700.00	5 years	100.00	Aging is too long, can not be expected to recover
Guangdong Jiayi Enterprise Co., Ltd.	1,090,251.93	1,090,251.93	Over 5 years	100.00	Not to recover for the long-term
Shanghai Bobang Shipbuilding Engineering Co., Ltd	1,048,842.55	1,048,842.55	2-3 years	100.00	Unable to pay
Anqing Far East Trade Corporation	2,059,353.27	2,059,353.27	Over 4 years	100.00	The expected loss of assets and capital verification
Jiangyin Baina Materials Co. Ltd.	1,000,000.00	1,000,000.00	Over 5 years	100.00	Court compensation
<b>Total</b>	<b>538,301,050.81</b>	<b>423,436,256.65</b>	<b>—</b>	<b>—</b>	<b>—</b>

2. The provision for doubtful of other receivables according to the combination of credit risk characteristics

(1) Other receivables of related party

Unit name	Book balance	Amount of bad debts	Accrual percentage (%)	The reason of accrual or not
Shanghai Qianshou Real Estate Co., Ltd.	1,698,146.44			Associate units, expected to recover
Shanghai Huarun Dadong Ship Engineering Co. Ltd.	400,000.00			Associate units, recoverable
Raoping Haihuang food company	54,000.00			Joint venture, recoverable
<b>Total</b>	<b>2,152,146.44</b>			—

(2) Other receivables reasonably certain to recover

Unit name	Book balance	The reason of not accrual
Chongming County Finance Bureau	164,914,042.00	Prepaid land funds
China National Shipbuilding Equipment and Materials Co., Ltd	120,118,893.59	Historical issues
Petty cash	127,464,800.61	The risk to recover is small, recoverable
Shanghai Lian Hai Industrial Co., Ltd.	24,440,000.00	The risk to recover is small, recoverable
Shanghai Transportation Commission	17,860,000.00	Financial subsidy
Litigation loan	5,049,441.00	The risk to recover is small, recoverable
Housing fund center maintenance fee	7,514,137.53	The risk to recover is small, recoverable
House purchase fund	4,547,615.81	The risk to recover is small, recoverable
Export rebate	4,461,258.92	Tax refund, recoverable
Mcgee Jia. Co.	4,234,843.99	The risk to recover is small, recoverable
Margin and deposit	3,965,495.52	The risk to recover is small, recoverable
State Grid Power Company	3,952,800.00	The risk to recover is small, recoverable
Shanghai Zhonghua Marine Accessories Factory	3,732,774.79	The risk to recover is small, recoverable
Shanghai Runcheng Construction Engineering Co., Ltd.	3,388,675.73	The Phoenix two phase of withholding payment, recoverable
Compensation for employees of the general contracting system of Jiangnan	3,307,924.15	To be approved by the SASAC
Deposit and margin	3,133,953.59	Deposit and margin, recoverable
Shanghai Golden State Kongshun Leasing Co. Ltd.	3,000,000.00	The risk to recover is small, recoverable
Nanjing Luzhou Machine Parts Factory	3,000,000.00	The risk to recover is small, recoverable
People's Republic of China Wuzhou Customs	2,935,000.00	The risk to recover is small, recoverable
Installation of the company on behalf of payment settlement accounts	2,189,772.08	The risk to recover is small, recoverable
Ministry of Finance	2,149,533.00	The risk to recover is small, recoverable
Advance payment	2,008,322.20	Advance payment, expected to recover
Appropriated funds	2,000,000.00	Appropriated funds

Unit name	Book balance	The reason of not accrual
Wanfeng Huyi (Shanghai) Finance Leasing Co., Ltd.	1,987,139.56	The risk to recover is small, recoverable
Insurance indemnity	1,985,685.91	Insurance indemnity, recoverable
Bid bond	1,935,622.35	The risk to recover is small, recoverable
The Ocean University of China	1,790,000.00	Research funds, expected to recover
Macao government dock	1,789,020.00	The risk to recover is small, recoverable
Advance payment	1,730,603.88	The risk to recover is small, recoverable
Nanjing Property Management Office	1,532,245.61	The risk to recover is small, recoverable
China Shipbuilding Heavy Industry Material Trade Group Co., Ltd.	1,500,000.00	The risk to recover is small, recoverable
Hart Lapper	1,259,960.44	The risk to recover is small, recoverable
Shanghai Municipal Bureau of finance supervision and Inspection Bureau	1,257,088.60	Deposit, not accrue
Shanghai Social Security Center	1,207,020.29	Injury claims
Shanghai Runjia Technology Co. Ltd.	1,113,778.00	The risk to recover is small, recoverable
Tianjin Libao Coal Sales Co. Ltd.	1,050,000.00	The risk to recover is small, recoverable
Others (less than 1 million)	27,748,020.69	The risk to recover is small, recoverable
<b>Total</b>	<b>567,255,469.84</b>	—

## (3) Other receivables that are provided for bad debts by aging analysis

Aging	Ending balance			Beginning balance		
	Book balance		Bad debts provision	Book balance		Bad debts provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	652,360,988.53	82.71	33,318,283.45	200,840,003.58	49.85	24,364,525.32
1-2 years (Including 2 years)	14,678,087.68	1.86	3,370,933.89	38,749,212.29	9.62	9,235,737.39
2-3 years (Including 3 years)	10,676,350.32	1.35	3,680,679.97	6,954,045.28	1.73	3,241,881.48
Over 3 years	111,038,377.26	14.08	108,911,972.29	156,352,149.21	38.81	151,836,451.33
<b>Total</b>	<b>788,753,803.79</b>	<b>100.00</b>	<b>149,281,869.60</b>	<b>402,895,410.36</b>	—	<b>188,678,595.52</b>

## 3. Other receivables that are individually insignificant but are provided for bad debts on individual basis at the end of the year

Name of debtors	Book balance	Bad debts provision	Aging	Accrual percentage (%)	Reason of accrual
Nan Longjie	956,451.88	956,451.88	Over 3 years	100.00	Many claims to no avail
Shanghai Jianqian Equipment Co., Ltd.	921,085.96	921,085.96	Over 3 years	100.00	Over payment of project funds, prepayment transferred, bad debt risk



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Name of debtors	Book balance	Bad debts provision	Aging	Accrual percentage (%)	Reason of accrual
Shanghai Shipyard Freight Fleet	850,000.00	850,000.00	Over 5 years	100.00	Liquidation closed
Singapore SeeHupSengLtd	720,000.00	720,000.00	Over 3 years	100.00	Dispute exists
Personal loan	670,633.31	670,633.31	Over 3 years	100.00	Individual identification
Shanghai Nuoye Trading Co., Ltd.	400,000.00	400,000.00	Over 5 years	100.00	Not recovered for a long time
Shanghai Gaoqiao Pipe Fittings Co., Ltd.	360,000.00	360,000.00	Over 5 years	100.00	Not recovered for a long time
Shanghai Zhangfan Shipping Engineering Co., Ltd.	358,601.20	358,601.20	3-5 years	100.00	Unable to recover
Shanghai Qiongf Industry & Trade Co. Ltd.	285,000.00	285,000.00	Over 5 years	100.00	Expected unable to recover
Jing Rui company	206,012.60	206,012.60	3-4 years	100.00	Unable to recover
Shanghai China Housing Group East China Real Estate Co., Ltd.	165,690.40	165,690.40	Over 4 years	100.00	The expected loss of assets and capital verification
WANG Mingang	124,265.00	124,265.00	Over 3 years	100.00	Others
Guangxi Wuzhou Antai Feng Hao Shipyard Co. Ltd	99,616.27	99,616.27	4-5 years	100.00	Unable to recover
New District Planning Bureau Information Center	87,800.00	87,800.00	9 years	100.00	Due to the lack of relevant materials, resulting in the deposit can not be returned
Jiangyin Hua Cheng Construction and Installation Engineering Co., Ltd.	80,000.00	80,000.00	Over 3 years	100.00	Unredeemed
HUANG Jufang	64,419.42	64,419.42	Over 5 years	100.00	Employee turnover, unable to recover
Wuzhou Guijiang Yulong Ship Engineering Co. Ltd.	64,280.80	64,280.80	3-4 years	100.00	Unable to recover
Guangzhou Zhicheng Electrical Equipment Leasing Co. Ltd.	59,400.00	59,400.00	Over 3 years	100.00	Unable to recover
Urban Construction Archives	57,600.00	57,600.00	Over 5 years	100.00	Unable to recover
Wuzhou Xinlong Ship Engineering Co. Ltd.	52,909.10	52,909.10	3-4 years	100.00	Unable to recover
Shanghai Lisheng Trade Co., Ltd.	50,000.00	50,000.00	Over 5 years	100.00	Expected unable to recover
LIU Feng	48,753.50	48,753.50	Over 4 years	100.00	The expected loss of assets and capital verification
Guangzhou Tianhe People's Court	33,210.00	33,210.00	Over 5 years	100.00	Unable to recover
Jiangsu Antarctic Machinery Co., Ltd.	32,400.00	32,400.00	Over 5 years	100.00	Expected unable to recover
Wuzhou Danan Chemical Co. Ltd.	32,351.00	32,351.00	Within 1 year	100.00	Unable to recover
Jiangyin Building Plastic Factory	30,000.00	30,000.00	Over 3 years	100.00	Unredeemed
Guangdong Nanguang Electrical	27,451.20	27,451.20	Within 1	100.00	Unable to recover

Name of debtors	Book balance	Bad debts provision	Aging	Accrual percentage (%)	Reason of accrual
Equipment Co. Ltd.			year		
CHENG Guanghua	26,214.21	26,214.21	2-3 years	100.00	Employee turnover, unable to recover
Guangzhou Hua Long Industry and Trade Co. Ltd.	23,892.45	23,892.45	Over 5 years	100.00	Unable to recover
Employee reserve fund	21,393.26	21,393.26	1-3 years	100.00	Employee turnover, unable to recover
Cooperation fee without invoice	20,000.00	20,000.00	Over 5 years	100.00	Unable to recover
Nanjing Navigation Instrument No. 2 Factory Co., Ltd.	19,864.00	19,864.00	Within 1 year	100.00	Unable to recover
Zhengmao Group Limited Liability Company	18,593.20	18,593.20	Over 3 years	100.00	Aging is too long, expected unable to recover
Jiangyin Shuanghui Air Conditioning Installation Engineering Co., Ltd.	18,228.00	18,228.00	Over 3 years	100.00	Unredeemed
Shanghai Third Machine Tool Factory	17,000.00	17,000.00	Over 5 years	100.00	Expected unable to recover
Wuhan Jiangda electromechanical Co Ltd	12,800.00	12,800.00	Within 1 year	100.00	Unable to recover
Changshu Mocheng Hoisting Machinery Factory	12,000.00	12,000.00	Over 3 years	100.00	Unredeemed
Guangdong Machinery Import and Export Inc. Co.	9,500.00	9,500.00	Over 5 years	100.00	Unable to recover
LIU Xiaoshuang	6,000.00	6,000.00	Over 2 years	100.00	The expected loss of assets and capital verification
CAO Huashan	6,000.00	6,000.00	Over 5 years	100.00	Employee turnover, unable to recover
QU Zhongtao	5,000.00	5,000.00	Over 5 years	100.00	Employee turnover, unable to recover
DENG Wei	3,000.00	3,000.00	Over 5 years	100.00	Employee turnover
WANG Hanlin	2,927.40	2,927.40	Over 4 years	100.00	The expected loss of assets and capital verification
ZANG Yi	1,539.00	1,539.00	3-4 years	100.00	Employee turnover, unable to recover
ZHANG Chao	1,402.69	1,402.69	2-3 years	100.00	Employee turnover, has won a lawsuit, return in succession
LIANG Fei	1,000.00	1,000.00	Over 5 years	100.00	Employee turnover, unable to recover
ZHU Yongbao	334.00	334.00	Over 4 years	100.00	The expected loss of assets and capital verification
ZHENG Guoping	200.00	200.00	Over 3 years	100.00	The expected loss of assets and capital verification
Wuzhou Wanxiu Industrial Materials Business Department	114.02	114.02	Within 1 year	100.00	Unable to recover
<b>Total</b>	<b>7,064,933.87</b>	<b>7,064,933.87</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 4. Bad debts provision recovered or reversed

None.

## 5. Other receivables actually written off this year

Name of debtors	Nature of other receivables	Write off amount	The reason of write off	Performance of write off procedure	Whether or not due to related party transactions
Run River Construction Engineering Co., Ltd.	Infrastructure projects fund	159,650.00	The other unit can not be contacted, the aging time is nearly 10 years	Internal approval verification	No
Jiangxi Hua Heng Equipment Co., Ltd.	Cargo	12,244.00	Unable to recover	General manager office meeting	No
Zhejiang Jiakong Electric	Cargo	10,432.50	Unable to recover	General manager office meeting	No
FU Huizhong	Petty cash	10,050.00	Received the court verdict	General manager office meeting	No
Rongcheng Motor Factory	Cargo	10,000.00	Unable to recover	General manager office meeting	No
Beijing 39 Network Technology Co., Ltd.	Telephone fare	1,923.92	Unable to recover, verification approval	Chairman approval	No
Yuyao Temperature Instrument Factory	Cargo	980.00	Unable to recover	General manager office meeting	No
Taixing Shengda Sealing Material	Cargo	99.60	Unable to recover	General manager office meeting	No
<b>Total</b>	—	<b>205,380.02</b>	—	—	—

## 6. Top five other receivables that are summed up by the balances of debtors

Name of debtors	Nature of receivable	Book balance	Aging	Percentage of total other receivables (%)	Bad debts provision
Chongming County Finance Bureau	Suspense payment for land property fee	164,914,042.00	Over 5 years	8.18	
China National Shipbuilding Equipment and Materials Co., Ltd	Historical legacy	120,118,893.59	Over 5 years	5.96	
Shanghai Yangpu District Land Development Center	Puxi land disposal third tail	37,351,500.00	Within 1 year	1.85	
Nanjing Oasis Equipment Installation Engineering Co., Ltd	Debtor enters bankruptcy procedure	33,373,640.47	Over 3 years	1.66	
Xuyong Industrial Park Investment Development Co., Ltd.	Performance bond	30,000,000.00	0-1 year	1.49	50,000.00
<b>Total</b>	—	<b>385,758,076.06</b>	—	<b>19.14</b>	<b>50,000.00</b>

## (IX) Inventories

## 1. Classification of inventories

Item	Ending balance			Beginning balance		
	Book balance	Falling price provision	Book value	Book balance	Falling price provision	Book value
Raw materials	6,199,438,032.47	307,060,472.53	5,892,377,559.94	8,984,309,423.32	404,589,372.26	8,579,720,051.06
Self-made semi-finished products and work-in-progress	8,038,637,909.91	1,398,755,390.64	6,639,882,519.27	6,392,435,369.78	388,823,462.74	6,003,611,907.04
Merchandise in stock ( finished products)	2,169,494,933.41	151,692,198.68	2,017,802,734.73	1,657,481,902.52	171,645,630.16	1,485,836,272.36
Turnover materials	64,135,703.91	347,911.58	63,787,792.33	104,289,160.19	347,911.58	103,941,248.61
Project construction ( Unsettled payment on the completed part)	30,930,357,669.21	1,738,170,413.48	29,192,187,255.73	27,437,922,426.11	1,943,870,062.59	25,494,052,363.52
Development cost of real estate enterprises	1,306,539,788.27		1,306,539,788.27	2,057,382,536.14		2,057,382,536.14
Land arrangement	422,743,996.13		422,743,996.13	408,001,352.49		408,001,352.49
Others	1,115,546,307.61	13,873,537.88	1,101,672,769.73	1,865,249,411.91	9,651,357.77	1,855,598,054.14
<b>Total</b>	<b>50,246,894,340.92</b>	<b>3,609,899,924.79</b>	<b>46,636,994,416.13</b>	<b>48,907,071,582.46</b>	<b>2,918,927,797.10</b>	<b>45,988,143,785.36</b>

Note: The capitalized borrowing interest in the ending balance of inventories is RMB 31,876,021.25, including borrowing interest capitalized in the current period of RMB 26,117,028.19.

2.Details of unsettled assets which are completed in construction formed from construction contracts at the end of the year

Item	Ending balance
Accumulated cost incurred	61,686,378,187.69
Accumulated gross margin recognized	-75,562,885.12
Less: Estimated loss	1,738,170,413.48
Amount handled for settlement	30,680,457,633.36
Unsettled assets which are completed in construction formed from construction contracts	29,192,187,255.73

## (X) Non-current assets due within one year

Item	Ending balance	Beginning balance
Trust wealth management products due within one year	7,781,960,000.00	6,113,200,000.00
Lease financing project	1,275,707,770.37	1,506,001,159.75
Entrusted loans due within one year – Shandong CSSC Sunshine Ship Investment and Development Co. Ltd.	300,000,000.00	
long-term receivables due within one year	539,588,089.77	3,152,330.26
Integrated building decoration	8,825,999.00	8,825,999.00
<b>Total</b>	<b>9,906,081,859.14</b>	<b>7,631,179,489.01</b>

## (XI) Other current assets

Item	Ending balance	Beginning balance
Input tax to be deducted	5,096,885,970.87	28,920,690.57
Short term Trust wealth management products	3,183,483,468.64	3,131,453,678.44
Investing special account fund of investment company	1,349,502,938.28	
Hedged items	692,777,924.71	1,019,495,663.69
Prepay taxes	111,824,554.66	39,032,896.64
Entrusted loans	13,500,000.00	40,000,000.00
Others	2,828,541.85	407,753.58
<b>Total</b>	<b>10,450,803,399.01</b>	<b>4,259,310,682.92</b>

Note: Hedged items refer to the changes in the fair value of determined commitments (to receive a certain amount of USD ship progress payment in the future) generated due to the changes of foreign exchange rate.

(XII) Granting loans and paying on behalf of other parties

1. Details of distribution of loans and payments on behalf of other parties according to individuals and companies are as following:

Item	Ending balance	Beginning balance
Loans and payments on behalf of others of companies	328,474,141.32	694,530,522.63
Including: Discount	242,474,141.32	694,530,522.63
Loans	86,000,000.00	
<b>Total loans and payments on behalf of others</b>	<b>328,474,141.32</b>	<b>694,530,522.63</b>
Less: Provision of loan losses	8,211,853.53	17,363,263.06
Including: Provisions by portfolios	8,211,853.53	17,363,263.06
<b>Book value of loans and payments on behalf of others</b>	<b>320,262,287.79</b>	<b>677,167,259.57</b>

2. Details of distribution of loans and payments on behalf of other parties according to industries are as following:

Industry distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Other trade economies and agents	242,474,141.32	73.82	195,627,866.23	28.17
Metal ship manufacturing	82,000,000.00	24.96		
Marine equipment manufacturing	4,000,000.00	1.22	498,902,656.40	71.83
<b>Total loans and payments on behalf of others</b>	<b>328,474,141.32</b>	<b>100.00</b>	<b>694,530,522.63</b>	<b>100.00</b>
Less: Provision of loan	8,211,853.53	100.00	17,363,263.06	100.00

losses				
Including: Provisions by portfolios	8,211,853.53	100.00	17,363,263.06	100.00
<b>Book value of loans and payments on behalf of others</b>	<b>320,262,287.79</b>		<b>677,167,259.57</b>	

3. Details of distribution of loans and payments on behalf of other parties according to regions are as following:

Region distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
East China region	328,474,141.32	100.00	694,530,522.63	100.00
<b>Total loans and payments on behalf of others</b>	<b>328,474,141.32</b>	<b>100.00</b>	<b>694,530,522.63</b>	<b>100.00</b>
Less: Provision of loan losses	8,211,853.53	100.00	17,363,263.06	100.00
Including: Provisions by portfolios	8,211,853.53	100.00	17,363,263.06	100.00
<b>Book value of loans and payments on behalf of others</b>	<b>320,262,287.79</b>	<b>100.00</b>	<b>677,167,259.57</b>	<b>100.00</b>

4. Details of distribution of loans and payments on behalf of other parties according to the way of guarantee are as following:

Item	Ending balance	Beginning balance
Credit loans	4,000,000.00	694,530,522.63
Guarantee loans	82,000,000.00	
Collateral loans	242,474,141.32	
Including: Pledge loans	242,474,141.32	
<b>Total loans and payments on behalf of others</b>	<b>328,474,141.32</b>	<b>694,530,522.63</b>
Less: Provision of loan losses	8,211,853.53	17,363,263.06
Including: Provisions by portfolios	8,211,853.53	17,363,263.06
<b>Book value of loans and payments on behalf of others</b>	<b>320,262,287.79</b>	<b>677,167,259.57</b>

5. Details of provisions of loan losses:

Item	This year		Last year	
	Single item	Portfolio	Single item	Portfolio
Beginning balance		17,363,263.06		30,072,127.62
Accruals in this year		-9,151,409.53		-12,708,864.56
Transfer out in this year				
<b>Ending balance</b>		<b>8,211,853.53</b>		<b>17,363,263.06</b>

## (XIII) Available-for-sale financial assets

## 1. Details of available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale debt instrument	1,618,914,400.14		1,618,914,400.14	1,278,985,639.25		1,278,985,639.25
Available-for-sale equity instrument	4,918,411,211.56	44,027,054.57	4,874,384,156.99	3,238,674,213.49	40,856,719.21	3,197,817,494.28
Measured at fair value	3,821,351,869.87		3,821,351,869.87	2,427,030,119.95		2,427,030,119.95
Measured at cost	1,097,059,341.69	44,027,054.57	1,053,032,287.12	811,644,093.54	40,856,719.21	770,787,374.33
Trust wealth management products	3,530,323,068.49	440,400,000.00	3,089,923,068.49			
	2,431,040,173.41		2,431,040,173.41	2,217,917,297.51		2,217,917,297.51
<b>Total</b>	<b>12,498,688,853.60</b>	<b>484,427,054.57</b>	<b>12,014,261,799.03</b>	<b>6,735,577,150.25</b>	<b>40,856,719.21</b>	<b>6,694,720,431.04</b>

## 2. Available-for-sale financial assets measured at fair value at the end of the year

Item	Available-for-sale equity instrument	Available-for-sale debt instrument	Others	Total
Cost of equity instrument/ Amortized cost of debt instrument	3,008,799,767.48	1,587,382,596.23	2,434,083,300.00	7,030,265,663.71
Fair value	3,821,351,869.87	1,618,914,400.14	2,431,040,173.41	7,871,306,443.42
Accumulated change of fair value recognized into other comprehensive income	812,552,102.39	31,531,803.91	-3,043,126.59	841,040,779.71
Amount of accrued impairment				

## (XIV) Held-to-maturity investments

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Trust wealth management products				3,322,000,000.00	403,700,000.00	2,918,300,000.00
<b>合计</b>				<b>3,322,000,000.00</b>	<b>403,700,000.00</b>	<b>2,918,300,000.00</b>

## (XV) Long-term receivables

Item	Ending balance			Beginning balance			Discount rate range at year end
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value	
Finance lease receivables	5,316,679,060.42	172,146,794.24	5,144,532,266.18	283,070,047.53	50,710,456.42	232,359,591.11	5%-10%
Including : Unrealized financing income	1,671,785,265.24		1,671,785,265.24	231,702,927.49		231,702,927.49	5%-10%
Sales of goods on installments	1,157,466,550.99	133,312,753.07	1,024,153,797.92	970,106,742.00	100,353,007.93	869,753,734.07	1.487350-3.25%

Item	Ending balance			Beginning balance			Discount rate range at year end
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value	
Rendering services on installments	2,502,075,577.32	4,212,900.00	2,497,862,677.32	541,099,505.67		541,099,505.67	4.75%
Others	1,729,444,740.45	158,289,650.18	1,571,155,090.27	881,418,312.12	49,194,825.12	832,223,487.00	4%~10%
<b>Total</b>	<b>10,705,665,929.18</b>	<b>467,962,097.49</b>	<b>10,237,703,831.69</b>	<b>2,675,694,607.32</b>	<b>200,258,289.47</b>	<b>2,475,436,317.85</b>	<b>—</b>

## (XVI) Long-term equity investments

## 1. Classification of long-term equity investments

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Investments to subsidiaries	368,808,176.13		118,870,368.83	249,937,807.30
Investments to joint venture enterprises	1,843,843,273.36	1,375,564,296.13	115,322,853.35	3,104,084,716.14
Investments to associate enterprises	5,505,534,336.68	2,898,738,806.22	884,515,086.63	7,519,758,056.27
Subtotal	7,718,185,786.17	4,274,303,102.35	1,118,708,308.81	10,873,780,579.71
Less: Long-term equity investments impairment provision	5,818,755.54	2,051,970.02		7,870,725.56
<b>Total</b>	<b>7,712,367,030.63</b>	<b>4,272,251,132.33</b>	<b>1,118,708,308.81</b>	<b>10,865,909,854.15</b>



## 2.Details of long-term equity investments

Invested entity	Investment cost	Beginning balance	Increase or decrease in this year							Ending balance	Impairment provision Ending balance
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Cash dividend or profit declared to distribute	Impairment provision accrued		
<b>I, Subsidiaries</b>											
Shanghai Nan Hua Materials Storage and Transportation Center	3,001,344,340.80	368,808,176.13		-18,870,368.83						249,937,807.30	
Beijing CSSC Gas Engineering Co., Ltd	15,200,000.00	15,200,000.00		-15,200,000.00							
CSSC Europe Co., Ltd	550,000.00	550,000.00								550,000.00	
CSSC Marine Equipment Innovation Park Investment Co., Ltd	4,880,497.59	4,127,090.41								4,127,090.41	
Circulation right for equity separation of Steel Structure Engineering	100,000,000.00	100,000,000.00									
Circulation right for equity separation of China Shipbuilding	214,134,492.77	130,503,363.76									
Circulation right for equity separation of CSSC Marine Engineering	2,434,117,962.45	62,616,948.97		-3,670,368.83						130,503,363.76	
	232,461,387.99	55,810,772.99								58,946,580.14	
<b>II, Joint venture enterprises</b>											
Anqing Dafa Diesel Engine Metallic Structure Co., Ltd	4,421,358,932.59	1,843,843,273.36	106,850,000.00	-37,994,120.00	1,268,622,924.65	-12,341,798.99	91,371.48	33,273,525.22		3,104,084,716.14	
Zhenjiang CSSC Hitachi Shipbuilding Machinery Co. Ltd.	7,000,000.00	10,545,665.23			293,060.85					10,838,726.08	
Shanghai Derushi Huahai Ship Equipment Co., Ltd	9,975,000.00	16,311,096.96	38,000,000.00		2,263,456.36		91,371.48			56,665,924.80	
Xuzhou CSSC Sunshine Investment Development Co., Ltd.	5,500,000.00	65,541,605.95			18,188,774.77					49,180,830.19	
Luzhou Xijiang Amusement Equipment Co., Ltd.	25,500,000.00	21,083,840.05			-4,071,182.28					16,846,224.16	
Baiyin Sanfeng Wenchuan Environmental	300,000.00	300,000.00			-61,998.57					238,001.43	
	30,000,000.00	30,000,000.00		-30,000,000.00							

Invested entity	Investment cost	Beginning balance	Increase or decrease in this year							Ending balance	Impairment provision Ending balance
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Cash dividend or profit declared to distribute	Impairment provision accrued	Others	
Protection and Electricity Generation Co., Ltd											
TTS-SCM Marine and Offshore Machinery Co., Ltd	16,000,000.00	14,974,128.13			1,387,883.65						16,362,011.78
CSSC Real Estate Co., Ltd	1,286,540,629.34	467,657,900.18			1,316,305,156.38						1,783,963,056.56
Shanghai Ruibo Properties Co., Ltd	1,257,306,243.12	197,841,173.45			63,182,167.23						261,023,340.68
Shanghai Ruiming Properties Co., Ltd	1,272,833,638.48	817,109,638.89			-29,376,803.24						787,732,835.65
Jiangsu Deruosi Huahai Ship Equipment Co., Ltd	7,994,120.00	8,074,376.01		-7,994,120.00	193,269.21			-273,525.22			
CSSC Wärtsilä Engine (Shanghai) Co., Ltd	137,700,000.00	67,612,814.02	68,850,000.00		-15,229,049.21						121,233,764.81
Winterthur Gas & Diesel AG	364,709,301.65	126,791,034.49			-84,451,810.50	-12,341,798.99				-29,997,425.00	
<b>III、Associated enterprises</b>	<b>6,816,271,121.54</b>	<b>5,505,534,336.68</b>	<b>2,030,706,660.01</b>	<b>625,110,450.34</b>	<b>867,783,722.28</b>	<b>-45,923,297.51</b>	<b>248,423.93</b>	<b>42,119,067.42</b>	<b>2,051,970.02</b>	<b>171,362,271.36</b>	<b>7,870,725.56</b>
Shanghai Donghua Education Investment Management Co., Ltd	4,575,273.99	6,123,835.77			1,084,093.68			-323,255.20			6,884,674.25
Shanghai Huchuan New Business Development Co., Ltd	7,359,505.89	14,477,757.58			-10,103,960.01		146,527.28				4,520,324.85
Shanghai Green Valley Hudong Hospital Management Co., Ltd	11,421,209.95	5,725,950.22			-2,951,053.66						2,774,896.56
Shanghai Qianshou Properties Co., Ltd	5,000,000.00	4,349,403.75			-1,006,820.57						3,342,583.18
Shanghai Jiangnan Shipbuilding and Repairing Co., Ltd	2,473,500.00	8,602,195.74			73,039.34			-147,600.00			8,527,635.08
Nanjing Luzhou Craft Equipment Co., Ltd	500,000.00	572,525.69			69,209.05			-39,993.60			601,741.14
Shanghai Nanlin Storage and Transportation Co., Ltd	5,340,000.00	5,759,584.15			510,089.65			-500,000.00			5,769,673.80
Shanghai Jiuxin Investment Development Co., Ltd	8,000,000.00	6,564,947.01			-732,880.80					32.00	5,832,098.21
Shanghai Ohkawara Dryers Co., Ltd	1,109,227.48	4,765,971.13			965,760.29					-7,434.19	5,724,297.23

Invested entity	Investment cost	Beginning balance	Increase or decrease in this year							Ending balance	Impairment provision Ending balance
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Cash dividend or profit declared to distribute	Impairment provision accrued	Others	
Shanghai Zhen Nan Engineering Supervision Co., Ltd	900,000.00	1,776,885.86			512,061.36					63,395.89	2,352,343.11
Jiangsu Shagang Jutong Cold Rolling Processing Co., Ltd	15,000,000.00	16,802,444.43			765,348.66						17,567,793.09
Zhangjiagang Jinhua Steel Processing Co., Ltd	7,200,000.00	8,246,514.91			1,236,691.02			-1,080,000.00			8,403,205.93
Jiangsu Shagang Rongui Iron and Steel Technology Development Co., Ltd	20,000,000.00	21,757,734.29			1,248,433.68						23,006,167.97
Zhangjiagang Junrun Steel Plate Pretreatment Co., Ltd	4,842,000.00	7,115,602.18			2,489,878.96			-2,154,841.70			7,450,639.44
Southern China Special Coating Industrial Co., Ltd	3,905,513.57	3,770,620.40			200,879.95						3,971,500.35
Nor Solan // II Pte Ltd	13,964,648.12	13,964,648.12			2,663,258.32	1,199,684.30					17,827,590.74
Bank of Tianjin	2,022,006,660.01		2,022,006,660.01		172,736,242.56	-180,471,762.46					2,014,271,140.11
Jiangyin Huachang Steel Coating Co., Ltd	2,400,000.00	1,611,950.55			-176,375.64						1,435,574.91
Jiangyin Huasheng Steel Pretreatment Co., Ltd	9,600,000.00	8,206,804.99			-988,029.98				2,051,970.02		7,218,775.01
Shanghai Hujiang Diesel Engine Emission Test Technology Co., Ltd	1,081,357.89	1,798,197.12			1,298,255.91			-716,839.23			2,379,613.80
Shanghai Dongzhou Labor Service Co., Ltd	294,000.00	597,383.84			20,866.28						618,250.12
Jiangyin Huaxin Corrosion Control Co., Ltd	2,601,600.00	19,135,025.41			1,290,615.77			-480,537.69			19,945,103.49
Beijing HNA Times Certification Center Co., Ltd.	1,200,000.00		1,200,000.00								1,200,000.00
Zhengmao Group Co., Ltd	73,684,846.06	95,662,106.74			-2,627,658.43			-500,000.00			92,534,448.31
Wansila CME Zhenjiang Propeller Co., Ltd	52,953,110.00	133,770,915.97			30,863,504.39	-180,846.00		36,000,000.00			128,453,574.36
Shanghai Huarun East Ship Engineering Co., Ltd	369,408,267.19	339,981,780.02			712,530.98						340,694,311.00
Everbright CSSC Management of New Energy	7,500,000.00		7,500,000.00								7,500,000.00

Invested entity	Investment cost	Beginning balance	Increase or decrease in this year						Ending balance	Impairment provision Ending balance
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Cash dividend or profit declared to distribute	Impairment provision accrued	Others
Industry Investment Fund Limited										
Bank of Shanghai Inc. Co.	4,142,500,000.00	4,774,393,550.81		625,110,450.34	655,302,921.23	-45,742,451.51				4,758,843,570.19
Kunshan Ji Hai Industrial Co., Ltd.	18,450,401.39				12,125,535.23		101,896.65			7,000,000.00
Hyatt Shanghai construction supervision Engineering Co. Ltd.	1,000,000.00				201,285.06			-176,000.00		853,813.10
<b>Total</b>	<b>14,238,974,394.93</b>	<b>7,718,185,786.17</b>	<b>2,137,556,660.01</b>	<b>186,861,913.83</b>	<b>2,136,406,646.93</b>	<b>-58,265,096.50</b>	<b>339,795.41</b>	<b>75,392,592.64</b>	<b>2,051,970.02</b>	<b>798,188,705.84</b>
										<b>10,873,780,579.71</b>
										<b>7,870,725.56</b>

## 3. Main financial information of significant joint ventures

Item	This year			Last year		
	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd
Current assets	12,546,653,576.97	1,603,643,154.48	6,745,740,246.41	14,246,607,730.21	1,613,173,237.70	8,192,531,718.93
Non-current assets	3,274,548,494.36	2,207,219,321.15	61,738,520.97	3,362,660,854.48	2,386,531,753.51	2,909,142.77
Total assets	15,821,202,071.33	3,810,862,475.63	6,807,478,767.38	17,609,268,584.69	3,999,704,991.21	8,195,440,861.70
Current liabilities	13,060,803,338.84	1,171,267,462.09	2,106,649,183.99	14,975,234,186.65	1,272,527,336.67	4,950,099,801.35
Non-current liabilities						
Total liabilities	13,060,803,338.84	1,171,267,462.09	2,106,649,183.99	14,975,234,186.65	1,272,527,336.67	4,950,099,801.35
Net assets	2,760,398,732.49	2,639,595,013.54	4,700,829,583.39	2,634,034,398.04	2,727,177,654.54	3,245,341,060.35
Portion of net assets calculated according to the shareholding percentage	1,380,199,366.25	1,319,797,506.77	2,350,414,791.70	1,317,017,199.02	1,363,588,827.00	1,622,670,530.00
Adjustment matters	-1,119,176,025.57	-532,064,671.12	-566,451,735.14	-1,119,176,025.57	-546,479,188.11	-1,155,012,629.82

Item	This year			Last year		
	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd
Book value of equity investments to joint ventures enterprises	261,023,340.68	787,732,835.65	1,783,963,056.56	197,841,173.45	817,109,638.89	467,657,900.18
Fair value of equity investments with public offering price						
Operating revenue	138,666,666.67	325,063,142.10	4,628,536,482.03		302,209,393.74	1,912,367,400.00
Financial expense	-19,013,413.16	-9,837,878.69	-54,520,504.13	-41,568,821.47	-15,649,933.95	-36,432,367.64
Income tax expense	44,282,100.28		485,162,841.02	4,643,583.36	17,894,993.67	208,765,654.43
Net profit	126,364,334.45	-87,582,641.00	1,455,488,523.04	-14,729,094.92	-94,021,733.35	626,297,951.18
Other comprehensive income						
Total comprehensive income	126,364,334.45	-87,582,641.00	1,455,488,523.04	-14,729,094.92	-94,021,733.35	626,297,951.18
Dividend received from joint venture enterprises in this period						

## 4. Main financial information of significant associate enterprises

Item	This year				Last year			
	Shanghai Huarun East Ship Engineering Co., Ltd	Zhengmao Group Co., Ltd	Wartsila CME Zhenjiang Propeller Co., Ltd	Bank of Shanghai Co., Ltd	Shanghai Huarun East Ship Engineering Co., Ltd	Zhengmao Group Co., Ltd	Wartsila CME Zhenjiang Propeller Co., Ltd	Bank of Shanghai Co., Ltd
Current assets	732,804,603.55	327,375,031.61	297,268,527.24	825,434,302,000.00	876,849,294.10	363,937,532.41	351,832,019.69	803,399,964,000.00
Non-current assets	3,002,455,269.51	43,812,073.77	155,711,540.07	930,018,018,000.00	3,142,709,740.83	43,191,177.88	176,279,399.35	629,790,328,000.00
Total assets	3,735,259,873.06	371,187,105.38	452,980,067.31	1,755,452,320,000.00	4,019,559,034.93	407,128,710.29	528,111,419.04	1,433,190,292,000.00
Current liabilities	1,636,621,699.14	129,757,472.43	157,646,376.14	1,635,799,402,000.00	2,004,463,455.59	159,717,316.83	223,702,760.29	1,341,418,714,000.00
Non-current liabilities	1,355,231,396.48	13,219,644.38	9,881,303.69	3,430,261,000.00	1,273,470,129.36	12,271,084.26	7,139,956.58	

Item	This year					Last year		
	Shanghai Huarun East Ship Engineering Co., Ltd	Zhengmao Group Co., Ltd	Wartsila CME Zhenjiang Propeller Co., Ltd	Bank of Shanghai Co., Ltd	Shanghai Huarun East Ship Engineering Co., Ltd	Zhengmao Group Co., Ltd	Wartsila CME Zhenjiang Propeller Co., Ltd	Bank of Shanghai Co., Ltd
Total liabilities	2,991,853,095.62	142,977,116.81	167,527,679.83	1,639,229,663,000.00	3,277,933,584.95	171,988,401.09	230,842,716.87	1,341,418,714,000.00
Net assets	743,406,777.44	228,209,988.57	285,452,387.48	116,222,657,000.00	741,625,449.98	235,140,309.20	297,268,702.17	91,771,578,000.00
Portion of net assets calculated according to the shareholding percentage	297,362,710.98	102,991,167.84	128,453,574.37	53,811,090,191.00	296,650,179.99	106,118,821.54	133,770,915.98	4,245,539,322.75
Adjustment matters	43,331,600.02	-10,456,719.53		-49,052,246,620.81	43,331,600.03	-10,456,714.80		528,854,228.09
Book value of equity investments to associated enterprises	340,694,311.00	92,534,448.31	133,770,915.97	4,758,843,570.19	339,981,780.02	95,662,106.74	133,770,915.98	4,774,393,550.81
Fair value of equity investments with public offering price								
Operating revenue	1,043,199,738.34	241,933,306.45	452,060,958.19	34,728,763,000.00	1,434,165,476.43	282,090,236.16	444,973,479.28	32,410,930,000.00
Financial expense	1,781,327.46	-9,180,833.89	67,221,032.04		131,160,115.05	-3,868,869.04	-11,608,690.03	
Income tax expense				1,994,309,000.00		-83,358.15	19,129,403.87	2,901,625,000.00
Net profit	1,781,327.46	-9,180,833.89	67,221,032.04	14,329,107,000.00	5,455,087.39	-21,504,266.50	56,354,791.40	12,748,101,000.00
Other comprehensive income				-1,397,034,000.00			778,500.00	910,911,000.00
Total comprehensive income	1,781,327.46	-9,180,833.89	67,221,032.04	12,932,073,000.00	5,455,087.39	-21,504,266.50	57,133,291.40	13,659,012,000.00
Dividend received from associates in this period		500,000.00	36,000,000.00			626,413.65	56,250,000.00	

## 5.Summary information of insignificant joint venture enterprises and associate enterprises

Item	This year	Last year
Joint venture enterprises:	—	—
Total book value of investments	123,432,607.38	10,325,871.08
Total amount calculated according to percentage of shareholding on each following item	-1,807,794.69	875,868.12
Net profit	-3,567,072.29	1,751,736.23
Other comprehensive income		
Total comprehensive income	-3,567,072.29	1,751,736.23
Associated enterprises:	—	—
Total book value of investments	256,425,805.15	218,172,113.84
Total amount calculated according to percentage of shareholding on each following item	20,569,368.76	10,116,261.27
Net profit	635,677,031.38	24,205,900.98
Other comprehensive income	42,140,572.83	
Total comprehensive income	677,817,604.21	24,205,900.98

## (XVII) Investment properties

## 1.Investment properties measured at cost

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
<b>Total original book value</b>	<b>1,816,873,990.09</b>	<b>35,589,794.16</b>	<b>24,537,782.57</b>	<b>1,827,926,001.68</b>
1. Houses and buildings	1,770,049,871.89	35,589,794.16	24,537,782.57	1,781,101,883.48
2. Land use right	46,824,118.20			46,824,118.20
<b>Total accumulated depreciation (amortization)</b>	<b>836,242,767.59</b>	<b>56,474,745.50</b>	<b>11,946,261.59</b>	<b>880,771,251.50</b>
1. Houses and buildings	832,432,072.96	56,100,217.09	11,946,261.59	876,586,028.46
2. Land use right	3,810,694.63	374,528.41		4,185,223.04
<b>Total net book value</b>	<b>980,631,222.50</b>	<b>—</b>	<b>—</b>	<b>947,154,750.18</b>
1. Houses and buildings	937,617,798.93	—	—	904,515,855.02
2. Land use right	43,013,423.57	—	—	42,638,895.16
<b>Total impairment provision</b>				
1. Houses and buildings				
2. Land use right				
<b>Total book value</b>	<b>980,631,222.50</b>	<b>—</b>	<b>—</b>	<b>947,154,750.18</b>
1. Houses and buildings	937,617,798.93	—	—	904,515,855.02
2. Land use right	43,013,423.57	—	—	42,638,895.16

## 2.Investment properties measured at fair value

None.

## 3. Investment properties not completed property certificate

Item	Book Value	The reason of not completed property certificate
No. 18 building in Shenzhen, room 201/202/203/301	209,300.00	The name of property certificate is the former name, being replaced
No. 18 building of Nine departemnt rental housing, room 101/104/204/302/303/304/402/403	418,600.00	The name of property certificate is the former name, being replaced
<b>Total</b>	<b>627,900.00</b>	<b>—</b>

## (XVIII) Fixed assets

## 1. Original costs of fixed assets

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Land assets	798,003,647.73	18,174,652.36	55,062,849.98	761,115,450.11
Houses and buildings	40,380,107,780.24	1,850,579,088.34	655,061,772.11	41,575,625,096.47
Machines and equipment	24,726,512,190.75	1,549,421,689.73	854,476,365.38	25,421,457,515.10
Transportation tools	4,676,653,072.25	997,132,760.36	94,934,221.11	5,578,851,611.50
Electronic equipment	1,307,081,427.64	257,361,171.20	47,484,683.56	1,516,957,915.28
Office equipment	3,035,771,300.50	224,453,485.18	22,557,221.03	3,237,667,564.65
Hotel furniture	405,227.60	725,395.08		1,130,622.68
Others	1,336,782,512.23	208,013,036.07	55,784,263.85	1,489,011,284.45
<b>Total</b>	<b>76,261,317,158.94</b>	<b>5,105,861,278.32</b>	<b>1,785,361,377.02</b>	<b>79,581,817,060.24</b>

## 2. Accumulated depreciation

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Land assets	—	—	—	—
Houses and buildings	11,096,907,883.71	1,690,298,507.38	173,452,500.90	12,613,753,890.19
Machines and equipment	12,956,874,016.72	1,739,135,519.70	688,027,865.41	14,007,981,671.01
Transportation tools	1,991,587,236.73	237,457,907.39	79,768,710.92	2,149,276,433.20
Electronic equipment	724,333,524.98	162,952,142.56	42,484,378.86	844,801,288.68
Office equipment	327,657,065.25	120,079,948.66	6,372,098.45	441,364,915.46
Hotel furniture	159,116.00	483,137.01		642,253.01
Others	746,800,933.21	220,250,955.89	38,257,529.96	928,794,359.14
<b>Total</b>	<b>27,844,319,776.6</b>	<b>4,170,658,118.59</b>	<b>1,028,363,084.5</b>	<b>30,986,614,810.69</b>



## 3. Net book value of fixed assets

Item	Beginning balance	Ending balance
Land assets	798,003,647.73	761,115,450.11
Houses and buildings	29,283,199,896.53	28,961,871,206.28
Machines and equipment	11,769,638,174.03	11,413,475,844.09
Transportation tools	2,685,065,835.52	3,429,575,178.30
Electronic equipment	582,747,902.66	672,156,626.60
Office equipment	2,708,114,235.25	2,796,302,649.19
Hotel furniture	246,111.60	488,369.67
Others	589,981,579.02	560,216,925.31
<b>Total</b>	<b>48,416,997,382.34</b>	<b>48,595,202,249.55</b>

## 4. Impairment provision of fixed assets

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Land assets	—	—	—	—
Houses and buildings	104,149,950.81	6,327,701.49		110,477,652.30
Machines and equipment	41,877,794.37	4,947,435.77	1,589,771.45	45,235,458.69
Transportation tools	255,337,676.33	48,178,264.98	229,520.34	303,286,420.97
Electronic equipment	13,793.81	327,169.92	12,335.09	328,628.64
Office equipment				
Hotel furniture				
Others	2,132,827.01		838,919.21	1,293,907.80
<b>Total</b>	<b>403,512,042.33</b>	<b>59,780,572.16</b>	<b>2,670,546.09</b>	<b>460,622,068.40</b>

## 5. Book value of fixed assets

Item	Beginning balance	Ending balance
Land assets	798,003,647.73	761,115,450.11
Houses and buildings	29,179,049,945.72	28,851,393,553.98
Machines and equipment	11,727,760,379.66	11,380,427,243.08
Transportation tools	2,429,728,159.19	3,114,101,899.65
Electronic equipment	582,734,108.85	671,827,997.96
Office equipment	2,708,114,235.25	2,796,302,649.19
Hotel furniture	246,111.60	488,369.67
Others	587,848,752.01	558,923,017.51
<b>Total</b>	<b>48,013,485,340.01</b>	<b>48,134,580,181.15</b>

## 6. Temporarily idle fixed assets

Item	Original costs	Accumulated depreciation	Impairment provision	Book value	Remark
Houses and buildings	117,707,161.51	43,062,300.30		74,644,861.21	sequest ration
Machines and equipment	18,035,740.21	7,859,686.54	5,522,806.54	4,653,247.13	sequest ration
Transportation tools	545,982.91	110,100.87		435,882.04	sequest ration
Office equipment	4,300.00	4,300.00			sequest ration
Others	6,459,545.78	4,402,527.38		2,057,018.40	sequest ration
<b>Total</b>	<b>142,752,730.41</b>	<b>55,438,915.09</b>	<b>5,522,806.54</b>	<b>81,791,008.78</b>	

## 7. Fixed assets with property rights not processed appropriately

Item	Book value	Reason of not completely processed
Buildings and structures	30,410,573.39	Land has not been obtained warrants
Buildings and houses	87,859,941.20	Project completion final accounts have not yet completed
painting workshop	15,526,794.44	Land has not been obtained warrants
Tai zhou commercial residential	19,741.06	There are no eligible for registration personnel to deal with
<b>Total</b>	<b>133,817,050.09</b>	

## (XIX) Construction in progress

## 1. Details of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Hong Kong Leasing Transportation Tools	6,413,117,609.99	1,646,762,263.04	4,766,355,346.95	3,767,005,300.03	546,146,217.31	3,220,859,082.72
CSSC Changxing Shipbuilding base phase two engineering project (Phase I) Project (Hudong)	1,032,703,017.60		1,032,703,017.60	1,110,776,867.89		1,110,776,867.89
Ship security project (Jiangnan)	950,012,749.67		950,012,749.67	335,798,240.61		335,798,240.61
Design research and development center construction project (Jiu yuan)	803,905,853.38		803,905,853.38			
CSSC marine equipment electrical and mechanical industrial park phase two design research and development center construction project (Lv zhou)	282,850,561.74		282,850,561.74			
high-end ship and Marine engineering products industrialization first phase of the project (Company jiujiang)	238,322,578.04		238,322,578.04			
Research and development platform (Jiang nan)	237,850,469.22		237,850,469.22			
Phase three of infrastructure engineering	232,606,762.20		232,606,762.20	232,606,762.20		232,606,762.20

## Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
project investment (Waigaoqiao)						
T00009 (708)	221,954,220.97		221,954,220.97	222,027,310.41		222,027,310.41
Phase two of Mitsui project (Mitsui)	154,054,875.77		154,054,875.77	277,475,636.19		277,475,636.19
No. 2639 Zu, Chongzhi Road (Shanghai Ship Institute)	151,346,600.00		151,346,600.00	146,865,000.00		146,865,000.00
Project of supporting technology transformation of ships (Hudong)	135,181,488.11		135,181,488.11	129,273,444.56		129,273,444.56
Raised investment project (Huangpu)	129,035,197.54		129,035,197.54	154,131,152.83		154,131,152.83
Shipbuilding platform (Jiangnan) (CSSC Offshore and Marine Engineering (Group) Company Limited)				203,061,049.83		203,061,049.83
Other construction projects in progress	2,271,477,964.08	97,411,954.10	2,174,066,009.98	2,282,692,205.79	97,411,954.10	2,185,280,251.69
<b>Total</b>	<b>13,254,419,948.31</b>	<b>1,744,174,217.14</b>	<b>11,510,245,731.17</b>	<b>8,861,712,970.34</b>	<b>643,558,171.41</b>	<b>8,218,154,798.93</b>

## 2.Details of changes of significant construction in progress in this year

Project name	Budget amount	Beginning balance	Increase	Transfer into fixed assets	Other decrease	Ending balance	Proportion of project investment to the budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Including: Capitalized amount of interest in this year	Current year rate of interest capitalization (%)	Fund source
Hong Kong Leasing Transportation Tools	8,400,000,000.00	3,767,005,300.03	3,233,058,821.40	586,946,511.44		6,413,117,609.99	35.00	35.00				Self-funded
CSSC Changxing Shipbuilding base phase two engineering project (Phase I) Project (Hudong)	8,066,900,000.00	1,110,776,867.89	32,345,945.47	19,455,517.42	90,964,278.34	1,032,703,017.60	18.46	18.46				State funded+self-funded
Ship security project (Jiangnan)	3,294,700,000.00	335,798,240.61	614,214,509.06			950,012,749.67	29.00	30.00				State funded+self-funded
Design research and development center construction project (Jiu yuan)	1,154,720,000.00		803,905,853.38			803,905,853.38	73.10	73.10	25,080,353.55	25,080,353.55	4.75	Self-funded
CSSC marine equipment electrical and mechanical industrial park phase two design research and development center construction project (Lv zhou)	624,170,000.00	97,425,613.18	185,633,230.61	208,282.05		282,850,561.74	45.34	45.34				State funded+self-funded
high-end ship and Marine engineering products industrialization first phase of the project (Company jiujiang)	359,800,000.00	522,815.00	237,799,763.04			238,322,578.04	66.48	66.48				State funded
Research and development platform ( Jiang nan)	614,900,000.00	120,090,903.74	117,771,097.48	11,532.00		237,850,469.22	39.00	40.00				State funded+self-funded
Phase three of infrastructure engineering project investment (Wagaoqiao)	1,052,050,000.00	232,606,762.20				232,606,762.20	22.11	22.11				Self-funded
T00009 (708)	329,000,000.00	222,027,310.41			73,089.44	221,954,220.97	68.98	68.98				State funded
Phase two of Mitsui project (Mitsui)	1,654,170,000.00	277,475,636.19	6,000,744.91	129,421,505.33		154,054,875.77	39.59	46.70				Self-funded
No. 2639 Zu, Chongzhi Road (Shanghai Ship	196,000,000.00	146,865,000.00	4,481,600.00			151,346,600.00	77.22	80.00				Self-funded

Project name	Budget amount	Beginning balance	Increase	Transfer into fixed assets	Other decrease	Ending balance	Proportion of project investment to the budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Including: Capitalized amount of interest in this year	Current year rate of interest capitalization (%)	Fund source
Institute)												
Project of supporting technology transformation of ships (Hudong)	996,620,000.00	129,273,444.56	6,303,275.19	395,231.64		135,181,488.11	89.00	99.00	79,663,584.89	355,117.41	4.66	Loans
Raised investment project (Huangpu)	653,000,000.00	154,131,152.83	194,204,683.56	219,300,638.85		129,035,197.54	52.21	52.21				Self-funded
<b>Total</b>	<b>27,396,030,000.00</b>	<b>6,393,999,046.64</b>	<b>5,435,719,524.10</b>	<b>955,739,218.73</b>	<b>91,037,367.78</b>	<b>10,982,941,984.23</b>	<b>—</b>	<b>—</b>	<b>104,743,938.44</b>	<b>25,435,470.96</b>	<b>—</b>	<b>—</b>

## 3. Impairment provision of construction in progress accrued in this year

Item	Accrued amount in this year	Reason of accrual
Hong Kong Leasing Transportation Tools	1,100,616,045.73	Construction cost greater than the asset market price
<b>Total</b>	<b>1,100,616,045.73</b>	

## (XX) Engineering materials

Item	Ending balance	Beginning balance
Hudong Zhonghua general technical innovation project of engineering materials	6,105,301.42	3,034,971.51
Jiujiang precision technical protection engineering materials	128,000.00	30,339,789.00
Jiujiang precision technical protection engineering materials as a whole construction project		448,200.00
<b>Total</b>	<b>6,233,301.42</b>	<b>33,822,960.51</b>

## (XXI) Disposal of fixed assets

Item	Ending balance	Beginning balance	Reason of being transferred into disposal
Floating dock, New Xiang Sheng		102,618,002.59	Physical assets used to investment in outside parties
Relocation loss of EXPO	11,818,175.44	11,818,175.44	There has not been the result of relocation compensation yet.
Houses and buildings	7,779,033.41	4,384,586.88	Land block is purchased and stored, with the old plant relocated
Equipment scrapping	3,055,969.37	1,443,917.84	Scrapped
Vehicles	106,103.61	263,216.11	Scrapped
Others	124,795.09	20,230.32	Scrapped
<b>Total</b>	<b>22,884,076.92</b>	<b>120,548,129.18</b>	—

## (XXII) Intangible assets

## 1. Intangible assets

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
<b>Total original cost</b>	<b>11,579,769,126.94</b>	<b>735,442,516.15</b>	<b>263,296,624.64</b>	<b>12,051,915,018.45</b>
Including: Software	702,263,963.85	118,442,037.13	555,633.29	820,150,367.69
Land use right	8,117,919,826.89	225,541,320.51	262,740,991.35	8,080,720,156.05
Patent right	66,881,789.47	376,433,050.18		443,314,839.65
Non-patented technology	2,001,173.50	90,879.09		2,092,052.59

## Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Trademark rights	2,433,934.00			2,433,934.00
Copyright	4,893,450.02	14,283,945.15		19,177,395.17
Franchise rights	163,397,196.65	651,284.09		164,048,480.74
Lu Pu Bridge franchise	2,211,000,000.00			2,211,000,000.00
Coastline use right	149,528,311.80			149,528,311.80
Cofferdam filling	96,629,215.12			96,629,215.12
Others	62,820,265.64			62,820,265.64
<b>Total accumulated amortization</b>	<b>2,752,993,809.41</b>	<b>376,133,907.53</b>	<b>13,777,202.81</b>	<b>3,115,350,514.13</b>
Including: Software	532,584,614.12	90,112,655.92	638,933.32	622,058,336.72
Land use right	935,507,612.88	165,499,381.80	12,606,209.53	1,088,400,785.15
Patent right	65,784,984.48	18,790,997.60		84,575,982.08
Non-patented technology	1,213,173.50	129,703.65		1,342,877.15
Trademark rights	20,024.82	7,467.48		27,492.30
Copyright	356,099.00	730,880.63		1,086,979.63
Franchise rights	31,233,379.81	3,997,598.01		35,230,977.82
Lu Pu Bridge franchise	1,127,610,000.00	88,440,000.00		1,216,050,000.00
Coastline use right	24,412,785.60	3,051,598.20		27,464,383.80
Cofferdam filling	8,379,378.27	1,932,584.40		10,311,962.67
Others	25,891,756.93	3,441,039.84	532,059.96	28,800,736.81
<b>Total impairment provision</b>				
<b>Total book value</b>	<b>8,826,775,317.53</b>	<b>—</b>	<b>—</b>	<b>8,936,564,504.32</b>
Including: Software	169,679,349.73	—	—	198,092,030.97
Land use right	7,182,412,214.01	—	—	6,992,319,370.90
Patent right	1,096,804.99	—	—	358,738,857.57
Non-patented technology	788,000.00	—	—	749,175.44
Trademark rights	2,413,909.18	—	—	2,406,441.70
Copyright	4,537,351.02	—	—	18,090,415.54
Franchise rights	132,163,816.84	—	—	128,817,502.92
Lu Pu Bridge franchise	1,083,390,000.00	—	—	994,950,000.00
Coastline use right	125,115,526.20	—	—	122,063,928.00
Cofferdam filling	88,249,836.85	—	—	86,317,252.45
Others	36,928,508.71	—	—	34,019,528.83

## 2. Land use right with property rights not processed appropriately

Name of entity	Classification of assets	Book value	Reason of not completely processed
Shanghai Jiangnan Shipyard Co., Ltd	Land	131,698,105.66	Still in process
CSSC Steel Structure Engineering Co., Ltd	Land	55,058,077.20	Still in process
<b>Total</b>		<b>186,756,182.86</b>	

## (XXIII) Development expenditures

Item	Beginning balance	Increase in this year		Decrease in this year			Ending balance
		Internal development expenditures	Others	Recognized as intangible assets	Transferred into current profit or loss	Others	
High-power Marine medium speed gas engine design key technology		53,621,527.36			16,133.12		53,605,394.24
SP2/10793		12,763,465.15	39,510,027.32				52,273,492.47
SP2/11066		13,542,213.35	18,291,437.22				31,833,650.57
SP2/11094		5,275,896.16	17,812,768.51				23,088,664.67
SP2/11067		4,277,733.15	9,978,872.19				14,256,605.34
SP2/11130		17,492.01	13,381,348.04				13,398,840.05
Dual fuel engine engineering at a moderate speed		13,363,059.04					13,363,059.04
SP2/16376		3,705,692.34	6,787,591.26				10,493,283.60
SP2/16315		3,414,892.50	6,956,281.92				10,371,174.42
SP2/16103		4,056,703.40	6,233,589.65				10,290,293.05
SP2/16317		1,176,360.96	8,368,798.07				9,545,159.03
SP2/16350		1,790,453.24	6,282,966.08				8,073,419.32
SP2/16361		1,295,226.11	6,542,761.22				7,837,987.33
SP2/10795		2,757.81	6,478,840.52				6,481,598.33
SP2/16346		1,546,857.22	4,523,122.28				6,069,979.50
SP2/11034		5,154,192.87	859,619.44				6,013,812.31
Large liquefied natural gas ship block processing and manufacturing digital workshop		5,701,459.87			145,904.27		5,555,555.60
Intelligent shipyard top-level architecture and application research of production logistics link		5,346,358.02					5,346,358.02
SP2/16387		1,143,616.50	4,176,731.50				5,320,348.00
SP2/16352		0.00	3,324,456.02				3,324,456.02
SP2/16324		0.00	3,260,923.50				3,260,923.50
SP2/11046		4,969.58	2,404,966.33				2,409,935.91



Item	Beginning balance	Increase in this year		Decrease in this year			Ending balance
		Internal development expenditures	Others	Recognized as intangible assets	Transferred into current profit or loss	Others	
SP2/16359		1,386,716.31	690,938.09				2,077,654.40
Others	5,169,787.96	3,306,813,899.02	0.00	1,878,710.92	3,259,084,170.43	32,784,666.97	18,236,138.66
<b>Total</b>	<b>5,169,787.96</b>	<b>3,445,401,541.97</b>	<b>165,866,039.16</b>	<b>1,878,710.92</b>	<b>3,259,246,207.82</b>	<b>32,784,666.97</b>	<b>322,527,783.38</b>

## (XXIV) Goodwill

Name of invested entity or matters forming the goodwill	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Guang zhou wen chong dockyard Co.,Ltd	144,231,195.67			144,231,195.67
Shanghai Zhong Rui General Aviation Co., Ltd	833,477.63			833,477.63
<b>合计</b>	<b>145,064,673.30</b>			<b>145,064,673.30</b>

Goodwill impairment test method: Guangzhou Liang shipyard Co., Ltd. (Primitive name was Chengxi (Guangzhou) shipyard co., ltd., hereinafter referred to as Guangzhou shipyard) is the cooperative enterprise of China CSSC Holdings Limited (Hereinafter referred to as CSSC). CSSC took the control rights through increasing investment on 30 June 2012, and recognised the goodwill of RMB 161,301,195.67. Provision RMB 17,070,000.00 for impairment was accrued during 2014. Based on the assessment report (Hu dong zhou zi ping bao zi (2016) No.0934201) issued by Shanghai dongzhou asset appraisal Co., Ltd which evaluated 100% share equity of Guangzhou shipyard by the end of 31 May 2016. The value of the equity of Guangzhou shipyard was RMB 805,479,312.81, increased RMB 383,660,036.86. The group made judgment that there is no major change in business environment and no impairment evidence in 2016.

Second level entity Dian zi ke ji based on 《The repaly about the agreement which Site navigation merger and acquisition of zhong rui tong hang through capital increased》 (Chuan dian ke zi 【2014】 No.77). Third level entity Site navigation technology Co., Ltd acquired 51% stake of shanghai skyway general aviation company (Hereinafter referred to as skyway) by increasing investment of RMB 13,000,000.00. Bank Credit Assets Appraisal Co., Ltd issued assessment report (Yin xin ping bao zi [2014] hu No.0048) on 28 March 2013. Appraisal base date was 31 December 2013. Based on the method of assessment report, dian zi ke ji calculated that the amount of capital increased of skyway during 2014 was RMB 742,001.84, book value of net assets of skyway at the end of 2014 was RMB 23,855,926.23, and recognised the goodwill RMB 833,477.63. The total amount of profit about skyway was RMB 480,887.50 by 2016, the group made judgment that there was no significant change in the profitability and no impairment evidence in 2016.

## (XXV) Long-term deferred expenses

Item	Beginning balance	Increase in this year	Amortization in this year	Other decrease in this year	Ending balance	Reason of other decrease
Sea route dredging up engineering project	45,731,462.76		1,053,034.54		44,678,428.22	
Longxue engineering and tooling	37,293,796.48		6,194,118.77	330,354.42	30,769,323.29	
Shipbreaking barge platform	27,144,944.64		2,088,072.72		25,056,871.92	
Lease expenditures on fixed assets	54,434,951.80	56,388,681.88	70,794,627.10		40,029,006.58	
Renovation of fixed assets rented in	12,272,481.50	2,220,101.09	7,853,266.54		6,639,316.05	
Comprehensive building renovation costs	8,825,999.00			8,825,999.00		
Site reconstruction of shipbreaking	8,310,371.65		651,793.80		7,658,577.85	
High and new projects	7,718,820.00		4,000,000.00		3,718,820.00	
Scaffolding amortization	6,320,425.11		1,541,711.98		4,778,713.13	
Plant improvement expenditure	6,173,138.07		1,073,589.21		5,099,548.86	
Renovation of practice workshop for technical school	5,059,818.67		147,964.58		4,911,854.09	
1025 design fee imported technology		6,108,185.44	1,855,145.97		4,253,039.47	
Road	3,468,265.99	1,234,103.33	315,435.87		4,386,933.45	
Education building decoration at Kanghua Road	3,244,897.44		540,816.24	140,842.00	2,563,239.20	
Student dormitory renovation	2,329,302.98		72,669.12		2,256,633.86	
Others (Amount less than RMB 2 million)	19,474,919.53	7,338,167.17	8,614,929.44		18,198,157.26	
<b>Total</b>	<b>247,803,595.62</b>	<b>73,289,238.91</b>	<b>106,797,175.88</b>	<b>9,297,195.42</b>	<b>204,998,463.23</b>	

## (XXVI) Deferred tax assets and deferred tax liabilities

## 1. Deferred tax assets and deferred tax liabilities not listed at the net balance after net-off

Item	Ending balance		Beginning balance	
	Deferred tax assets/liabilities	Deductible/Taxable temporary difference	Deferred tax assets/liabilities	Deductible/Taxable temporary difference
<b>Deferred tax assets</b>				
Asset impairment provision	919,636,620.53	4,991,294,317.11	840,506,676.97	4,865,539,474.66
Start-up fee	2,206,317.74	8,825,270.96	2,725,096.88	15,511,756.99
Deductible loss	504,299,809.30	2,476,989,262.07	822,064,745.29	4,562,845,227.24
Unrealized internal profit	659,960,017.88	166,265,478.33	626,064,883.40	2,534,468,560.35
Estimated liabilities	272,687,532.84	1,652,276,279.25	314,170,319.37	2,069,723,531.08
Accrued unfinished project	123,198,105.76	820,167,044.55	127,852,190.16	795,248,531.76
Long term employee benefits payable	57,370,211.19	268,447,326.39	5,224,000.00	34,580,000.00
Employee benefits payable	41,477,393.75	245,508,464.11	117,096,543.59	638,166,102.29

Item	Ending balance		Beginning balance	
	Deferred tax assets/liabilities	Deductible/Taxable temporary difference	Deferred tax assets/liabilities	Deductible/Taxable temporary difference
Changes in fair value of available for sale financial assets	30,408,952.75	121,635,810.99		
Investment real estate depreciation expense	28,640,315.76	114,561,263.04		
Deferred income	25,785,184.36	171,901,229.10	44,219,460.05	276,006,921.13
Royalty fee	10,259,405.05	68,396,033.65		
Fair value change in tradable financial assets	4,785,750.00	31,905,000.00	1,011,502.58	6,743,350.55
Asset appraisal value	1,612,847.81	9,749,566.62		
Others	24,811,242.06	135,697,839.45	40,667,018.89	234,500,011.11
<b>Total</b>	<b>2,707,139,706.78</b>	<b>11,283,620,185.62</b>	<b>2,941,602,437.18</b>	<b>16,033,333,467.16</b>
<b>Deferred tax liabilities</b>				
Valuation of tradable financial instruments and derivative financial instruments	13,500.00	54,000.00	3,765,139.40	15,060,557.59
Fair value change of available-for-sale financial assets recorded in other comprehensive income	200,091,101.11	952,287,010.69	230,308,889.25	1,019,960,711.56
Value increased due to appraisal	52,840,020.63	517,135,620.82	54,870,534.12	283,586,438.94
Tax saving from condolidation	29,261,681.83	117,046,727.32	29,261,681.83	117,046,727.32
Others	20,662,737.50	66,557,279.16	16,494,837.92	80,844,866.18
<b>Total</b>	<b>302,869,041.07</b>	<b>1,653,080,637.99</b>	<b>334,701,082.52</b>	<b>1,516,499,301.59</b>

## 2. Breakdown of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary differences	4,252,851,262.59	3,523,177,122.32
Deductible loss	16,417,889,896.10	11,179,154,129.76
<b>Total</b>	<b>20,670,741,158.69</b>	<b>14,702,331,252.08</b>

## 3. Deductible loss on unrecognized deferred tax assets will be due in the following years

Year	Ending balance	Beginning balance	Notes
2016		521,987,148.34	
2017	2,155,923,066.26	2,188,647,542.07	
2018	2,480,789,782.26	2,298,837,284.22	
2019	3,890,066,548.63	3,388,305,637.12	
2020	3,924,501,144.08	2,781,376,518.01	
2021	3,966,609,354.87		
<b>Total</b>	<b>16,417,889,896.10</b>	<b>11,179,154,129.76</b>	

## (XXVII) Other non-current assets

Item	Ending balance	Beginning balance
Long term entrusted loans	200,000,000.00	352,871,000.00
Debit balance of deferred income recognized due to sale and lease back (Note 1)	67,598,052.29	73,340,915.93
Jiangnan Shipyard Repair Factory Branch (Note 3)	50,835,024.06	50,835,024.06
Chongming Island relocation project (Note 2)	15,130,000.00	15,130,000.00
Dock transfer of East China Sea Shipyard Factory	12,090,430.22	12,090,430.22
Shanghai Jiangnan Shipbuilding Enterprise Development Co., Ltd (Note 3)	9,292,416.58	9,292,416.58
Shanghai Jiangnan Lu Pu Industrial Co., Ltd (Note 3)	8,599,768.96	8,599,768.96
State-owned fixed assets for disposal	4,463,487.98	4,463,487.98
Shanghai Jiangnan Construction Engineering General Contracting Co., Ltd (Note 3)	3,442,941.46	3,442,941.46
Shanghai Jiangnan Security Industry Safety Protection Engineering Co., Ltd (Note 3)	3,349,874.00	3,349,874.00
Jiangnan Shipyard Factory Infrastructure Construction Design Institute (Note 3)	1,562,154.24	1,562,154.24
Shanghai Tourism Commission - Tourism quality deposit	1,400,000.00	1,400,000.00
Deduction for VAT tax	1,254,002.32	
Expropriation of foreign assets	1,072,008.29	1,072,008.29
Offset capital input tax	361,563.30	
Prepaid purchase yongyou	296,180.00	
BSP deposit-AVIC Xingang Assurance Co., Ltd	270,000.00	270,000.00
Withholding business tax	184,893.72	184,893.72
<b>Total</b>	<b>381,202,797.42</b>	<b>537,904,915.44</b>

Note 1. The subsidiary "Shanghai Shipyard Co., Ltd." use tangible assets of one arm heavy ship (with net value of RMB 177,048,133.74 on the statement date, and the remaining service life is 166 months) to sign the "financing lease contract" (customer service leaseback) [SJPF-2014-001] with Shiji Financing Leasehold (Shanghai) Co., Ltd., the lease period is from December 24, 2014 to April 23, 2017, the amount of RMB 100,000,000.00. Under the contract, when the lease term expires, should Party A fully performe all the obligations in the contract, the lease item can be purchased by Party A in the name of one yuan. According to the provisions of the "Enterprise Accounting Standards No. twenty-first-Lease", since the beginning date of the lease term, the lessee shall choose the lower amount of the fair value of the leased asset and the present value of the minimum lease payments as the recorded value of leased assets. If the value of the minimum lease payments accounted for the value, the difference is unrecognized financing charges.

Because of its behavior is the customer service leaseback, and the recorded value is included in deferred income, while using the same monthly depreciation rate for the tangible assets. As a result of the formation of debit balance for deferred income, and reclassified to "other non-current assets".

Note 2. In 2007, the subsidiary "Shanghai Shipyard Co., Ltd." start the new migrant workers living facilities project, to achieve the project land acquisition, Shanghai Shipyard and the local government signed an agreement, that funded by Shanghai Shipyard, the local

government levies 110 acres of land on the north side of the door of Shanghai Shipyard's base in Chongming through land reserve system.

As of December 31, 2016, Shanghai Shipyard has paid RMB 75,650 thousand in total to the local government as land acquisition fee, and some of the land has been levied (not obtain warrants yet). In 2016, the financial statements are reclassified to "Other non- current assets".

Note 3. The above all are mainly the losses caused by restructuring enterprises of main-supplement separating project, and waiting for the SASAC's approval of verification on net assets.

## (XXVIII) Detail spreadsheet of asset impairment provision

Item	Beginning balance	Increase in this year			Decrease in this year				Ending balance	
		Accrual in this year	Increase from consolidation	Increase due to other reason	Total	Amount written-off	Decrease from consolidation	Decrease due to other reasons		Total
Bad debts provision	1,573,477,142.11	528,730,700.38	39,909,955.05	19,742,139.23	588,382,794.66	54,061,109.33	2,082,581.04	12,787,247.85	68,930,938.22	2,092,928,998.55
Inventory falling price provision	3,475,620,571.77	3,562,060,885.78			3,562,060,885.78	71,671,287.19		1,987,842,079.69	2,059,513,366.88	4,978,168,090.67
Including: Inventory falling price provision (Under the item of inventories)	2,918,927,797.10	—	—	—	—	—	—	—	—	3,609,899,924.79
Including: Inventory falling price provision (Under the item of estimated liabilities)	556,692,774.67	—	—	—	—	—	—	—	—	1,368,268,165.88
Impairment provision of available-for-sale financial assets	40,856,719.21	-292,589,664.64			-292,589,664.64			-1,144,000,000.00	-1,144,000,000.00	892,267,054.57
Impairment provision of held-to-maturity investments	1,144,000,000.00							1,144,000,000.00	1,144,000,000.00	
Impairment provision of long-term equity investments	5,818,755.54	2,051,970.02			2,051,970.02					7,870,725.56
Impairment provision of fixed assets	403,512,042.33	59,780,572.16			59,780,572.16	2,670,546.09			2,670,546.09	460,622,068.40
Impairment provision of construction in progress	643,558,171.41	1,100,616,045.73			1,100,616,045.73					1,744,174,217.14

Other impairment provision	564,168,162.55	11,044,218.87				11,044,218.87			15,912,029.63	15,912,029.63	559,300,351.79
<b>Subtotal</b>	<b>7,851,011,564.92</b>	<b>4,971,694,728.30</b>	<b>39,909,955.05</b>	<b>19,742,139.23</b>	<b>5,031,346,822.58</b>	<b>128,402,942.61</b>	<b>2,082,581.04</b>	<b>2,016,541,357.17</b>	<b>2,147,026,880.82</b>	<b>10,735,331,506.88</b>	
Less: Inventory falling price provision (Under the item of estimated liabilities)	556,692,774.67	—	—	—	—	—	—	—	—	—	1,368,268,165.88
<b>Total</b>	<b>7,294,318,790.25</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9,367,063,340.80</b>	

## (XXIX) Short-term loans

## 1. Classification of short-term loans

Classification of loans	Ending balance	Beginning balance
Pledged loans	99,990,000.00	3,970,518,000.00
Mortgage loans	121,689,713.83	6,190,000.00
Guaranteed loans	4,807,250,000.00	3,484,398,400.00
Credit loans	2,972,374,280.57	5,268,037,512.72
<b>Total</b>	<b>8,001,303,994.40</b>	<b>12,729,143,912.72</b>

## 2. Details of short-term loans overdue but not repaid

Creditor entity	Ending balance	Interest rate on borrowing (%)	Overdue time (month)	Overdue interest rate (%)
ICBC	6,190,000.00	5.04	156	5.04
<b>Total</b>	<b>6,190,000.00</b>	<b>5.04</b>	<b>156</b>	<b>5.04</b>

## (XXX) Deposits from banks and other financial institutions

Item	Ending balance	Beginning
Demand deposits	486,062,655.26	19,406,543.16
Fixed deposits (Including notice deposits)	221,091,000.00	100,000,000.00
Other deposits (Including remittance, drafts and	936,495.00	3,149,396.00
<b>Total</b>	<b>708,090,150.26</b>	<b>122,555,939.16</b>

## (XXXI) Financial liabilities at fair value through profit or loss

Item	Ending fair value	Beginning fair value
Designated as financial liabilities at fair value through profit or loss	95,035,097.83	181,719,608.07
<b>Total</b>	<b>95,035,097.83</b>	<b>181,719,608.07</b>

## (XXXII) Notes payable

Classification	Ending balance	Beginning balance
Bank acceptance bill	1,400,003,185.76	1,152,846,308.41
Commercial acceptance bill	6,327,003,796.76	6,893,799,455.17
<b>Total</b>	<b>7,727,006,982.52</b>	<b>8,046,645,763.58</b>

At the end of year, the amount of notes payable expired and did not pay is RMB 3,709,069.00.

## (XXXIII) Accounts payable

Aging	Ending balance	Beginning balance
Within 1 year (Including 1 year)	27,780,209,040.94	27,634,508,980.46
1-2 years (Including 2 years)	3,189,816,073.35	2,949,073,089.39



<b>Aging</b>	<b>Ending balance</b>	<b>Beginning balance</b>
2-3 years (Including 3 years)	2,273,451,961.68	1,650,273,801.10
Over 3 years	1,524,372,753.07	646,678,532.42
<b>Total</b>	<b>34,767,849,829.04</b>	<b>32,880,534,403.37</b>

Very important accounts payable aging over 1 year:

<b>Name of Creditor's rights company</b>	<b>Ending balance</b>	<b>Outstanding reason</b>
A research institute of CSIC	195,020,000.00	Before the payment schedule
Beijing institute of mechanical equipment	184,440,000.00	Before the payment schedule
B research institute of CSIC	142,935,000.00	Before the payment schedule
Cameron Sense AS	141,003,729.47	Quality retention money
C research institute of CSIC	88,801,503.00	Before the payment schedule
<b>Total</b>	<b>752,200,232.47</b>	—

(XXXIV) Advances from customers

<b>Aging</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Within 1 year (Including 1 year)	6,924,910,287.06	10,071,348,492.07
Over 1 year	3,418,176,496.71	4,250,160,652.29
<b>Total</b>	<b>10,343,086,783.77</b>	<b>14,321,509,144.36</b>

Very important advances from customers aging over 1 year

<b>Name of Creditor's rights company</b>	<b>Ending balance</b>	<b>Reason for not carrying forward</b>
Purchasing center A	722,954,242.30	The project has not yet been completed
Purchasing center B	284,268,300.00	The project did not finished
POET SHIPBUILDING	263,028,516.50	The project did not finished
River mechanical and electrical technology co., Ltd.	127,377,221.14	The project did not finished
Pacific Crest Pte. Ltd.	107,841,378.56	The project did not finished
<b>合计</b>	<b>1,505,469,658.50</b>	—

(XXXV) Financial assets sold for repurchase

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Bills		102,261,126.64
<b>Total</b>		<b>102,261,126.64</b>

(XXXVI) Employee benefits payable

## 1. Classification of employee benefits payable

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Short-term remuneration	1,039,911,357.85	10,182,844,566.07	10,240,404,816.14	982,351,107.78
Post-employment benefit-defined contribution plans	55,128,965.23	1,294,168,732.20	1,288,094,600.60	61,203,096.83
Dismissal benefit	131,498,943.39	62,466,390.27	99,865,506.55	94,099,827.11
Other benefits due within one year	3,343,805.08		3,343,805.08	
Others	12,549,581.90	35,914,702.71	35,488,982.69	12,975,301.92
<b>Total</b>	<b>1,242,432,653.45</b>	<b>11,575,394,391.25</b>	<b>11,667,197,711.06</b>	<b>1,150,629,333.64</b>

## 2. Short-term remuneration

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Wages, bonuses, allowances and subsidies	558,295,695.45	7,343,702,558.78	7,401,005,743.09	500,992,511.14
Employee welfare expense	5,599,519.47	529,929,714.59	529,948,562.09	5,580,671.97
Social insurance premiums	30,720,092.27	638,165,039.90	640,002,273.30	28,882,858.87
Including: Medical insurance premium	21,528,898.35	546,254,971.25	548,261,549.22	19,522,320.38
Work injury insurance premium	1,529,407.97	34,447,118.27	34,506,140.35	1,470,385.89
Maternity insurance premium	2,217,645.82	52,397,465.61	52,253,913.29	2,361,198.14
Others	5,444,140.13	5,065,484.77	4,980,670.44	5,528,954.46
Housing provident fund	5,173,135.50	697,305,880.43	699,520,556.90	2,958,459.03
Labor union funds and staff education funds	232,968,723.79	203,443,242.86	187,493,718.92	248,918,247.73
Other short-term remuneration	207,154,191.37	770,298,129.51	782,433,961.84	195,018,359.04
<b>Total</b>	<b>1,039,911,357.85</b>	<b>10,182,844,566.07</b>	<b>10,240,404,816.14</b>	<b>982,351,107.78</b>

## 3. Defined contribution plans

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Basic endowment insurance	46,147,131.07	1,084,597,178.42	1,076,344,716.64	54,399,592.85
Unemployment Insurance	5,966,329.44	55,442,698.84	56,253,319.45	5,155,708.83
Contribution of enterprise annuity	3,015,504.72	154,128,854.94	155,496,564.51	1,647,795.15
<b>Total</b>	<b>55,128,965.23</b>	<b>1,294,168,732.20</b>	<b>1,288,094,600.60</b>	<b>61,203,096.83</b>

## (XXXVII) Taxes and fees payable

Item	Beginning balance	Amount accrued in this year	Amount paid in this year	Other reasons for transfer	Ending balance
Value added tax (VAT)	-3,820,120,476.72	1,434,794,744.25	2,287,602,871.21	-5,041,612,928.30	368,684,324.62
Consumption tax	-20,398.33	152,954.62	150,349.30		-17,793.01
Business tax	54,484,985.15	112,726,719.93	163,107,153.21		4,104,551.87
Resource tax		32,000.00	32,000.00		
Enterprise income tax	913,563,705.16	772,116,585.93	1,228,539,401.58		457,140,889.51
Enterprise income tax	11,149,503.16	97,555,309.27	77,271,348.27		31,433,464.16
Property tax	32,335,144.65	137,479,664.35	116,456,916.28		53,357,892.72
Land use tax	14,292,360.76	72,318,310.48	71,196,981.64		15,413,689.60
Individual income tax	138,889,013.66	451,162,584.07	444,894,137.00		145,157,460.73
Education surcharge	11,241,561.92	87,745,896.37	73,188,469.00		25,798,989.29
Other taxes and fees	74,720,241.58	176,549,544.51	170,956,150.18		80,313,635.91
<b>Total</b>	<b>-2,569,464,359.01</b>	<b>3,342,634,313.78</b>	<b>4,633,395,777.67</b>	<b>-5,041,612,928.30</b>	<b>1,181,387,105.40</b>

Note: At the end of 2016, according to of Chinese Ministry of Finance " Notice of < Regulations about VAT accounting treatment > " (CaiKuai [2016] No. 22) , the Group reclassified the debit balances of "Input tax" and " Unpaid VAT " in the "Taxes and fees payable" to the subject " Other current assets" or "Other non-current assets" and reclassified the credit balance of "Output tax to be transferred " in the "Taxes and fees payable" to the subject " Other current liabilities".

#### (XXXVIII) Interest payable

##### 1.Classification of interest payable

Item	Ending balance	Beginning balance
Interest payable on long-term loans for repayment of interest by installments and repayment of principal when matured	110,665,580.60	93,663,317.02
Interest on corporate bonds	463,700,235.92	501,848,673.60
Short-term loansInterest payable	19,967,089.08	53,441,468.49
Other interest	100,996,439.34	12,131,179.91
<b>Total</b>	<b>695,329,344.94</b>	<b>661,084,639.02</b>

##### 2.Unpaid overdue interest which is important

None.

#### (XXXIX) Dividend payable

Name of entity	Ending balance	Beginning balance
Dividend payable of common shares	2,918,248.70	4,386,462.92
China Shipbuilding Industry Corporation (historical issues left)	123,497,577.34	123,497,577.34
Dividends payable to minority shareholders	7,991,931.46	69,337,878.64
<b>Total</b>	<b>134,407,757.50</b>	<b>197,221,918.90</b>

## (XL) Other payables

## 1. Classification of other payables by payment nature

Nature of money	Ending balance	Beginning balance
Deposit	1,004,874,283.25	711,892,181.75
Floating warehouse investment funds	418,377,548.00	189,145,993.00
Shareholder loan	352,566,249.70	345,678,656.34
Patent use fee	240,315,778.68	153,267,722.16
Land use fee of Changxing construction	172,071,229.86	172,071,229.86
Provisional infrastructure construction projects payment	110,020,991.43	121,168,453.75
Payment for unfinished engineering projects	104,105,165.67	180,530,075.94
Living expenses of personnel delegated	85,224,652.82	83,477,148.83
Historical provisional collection (CSSG General Corporation)	75,449,717.60	75,449,717.60
Deposits	70,080,333.92	71,301,515.97
Profits payable to the national treasury	59,789,762.68	59,789,762.68
High allowance special prize of science and technology, etc	44,546,759.79	44,380,293.72
Maintenance fund	40,221,281.94	44,177,417.49
Temporary land loans returned by the government	29,100,000.00	29,100,000.00
Year-end bonus of sub-contractors	22,300,000.00	60,550,000.00
Financial compensation of the shunt of main and auxiliary industries	7,317,809.02	12,352,187.47
Balance of entrusted finance not yet invested (Ruibo Properties)		1,000,000,000.00
Share transfer payment		365,000,000.00
Temporary receipts payable	1,291,931,325.20	1,432,982,880.45
<b>Total</b>	<b>4,128,292,889.56</b>	<b>5,152,315,237.01</b>

## 2. Very important other payables aging over 1 year

Name of company	Ending balance	Outstanding reason
CSSC	153,929,167.30	Problems left over by history
Shanghai junan industrial limited company	145,780,000.00	Shareholder loan

## Notes to the 2016 Financial Statements of China State Shipbuilding Corporation

National treasury profits payable	59,789,762.68	Hang with history
Ministry of communications, salvage and salvage bureau	33,106,509.07	Generation of advances
Finance bureau of Anqing economic and technological development zone	29,100,000.00	Provisional government land rebate, bilateral agreement for conditional borrowing
<b>Total</b>	<b>421,705,439.05</b>	—

## (XLI) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within one year	19,285,322,918.36	10,020,490,880.79
Including: Pledged loans		194,808,000.00
Mortgage loans		2,600,000.00
Guaranteed loans	9,920,862,918.36	5,266,582,880.79
Credit loans	9,364,460,000.00	4,556,500,000.00
Bonds payable due within one year		6,692,366,054.67
Long-term payable due within one year	413,003,629.58	14,358,224.69
<b>Total</b>	<b>19,698,326,547.94</b>	<b>16,727,215,160.15</b>

## (XLII) Other current liabilities

## 1. Classification of other current liabilities

Item	Ending balance	Beginning balance
Short-term bonds payable	7,000,000,000.00	11,001,737,704.92
Engineering settlement	32,686,112,675.36	39,061,262,759.50
Hedged items	739,315,590.71	1,019,495,663.69
Accrued expense	68,450,587.74	62,331,523.87
Deferred income	8,465,604.48	21,961,824.69
Disposal of guangchai equity funds	57,893,291.77	
Amount of output tax distribution	56,888,608.19	
<b>Total</b>	<b>40,617,126,358.25</b>	<b>51,166,789,476.67</b>

## 2. The situation of the short-term bonds payable

Name of the bond	Total par value	Issuing date	Bond deadline	Issuing amount	Beginning balance	Issuing in this year	Provision for interest at par value	Overflow discount amortization	Repaying in this year	Ending balance
2016 11th issue short-term financing bonds	4,000,000,000.00	2016-06-29	270 days	4,000,000,000.00		4,000,000,000.00				4,000,000,000.00
2016 14th issue short-term financing bonds	3,000,000,000.00	2016-12-23	93 days	3,000,000,000.00		3,000,000,000.00				3,000,000,000.00
2016 12th issue short-term financing bonds	4,000,000,000.00	2016-07-08	92 days	4,000,000,000.00		4,000,000,000.00			4,000,000,000.00	
2016 5th issue short-term financing bonds	5,000,000,000.00	2016-03-15	270 days	5,000,000,000.00		5,000,000,000.00			5,000,000,000.00	
2016 3th issue short-term financing bonds	2,000,000,000.00	2016-01-18	94 days	2,000,000,000.00		2,000,000,000.00			2,000,000,000.00	
2016 1th issue short-term financing bonds	4,000,000,000.00	2016-01-06	96 days	4,000,000,000.00		4,000,000,000.00			4,000,000,000.00	
2016 9th issue short-term financing bonds	4,000,000,000.00	2016-04-25	78 days	4,000,000,000.00		4,000,000,000.00			4,000,000,000.00	
2016 2th issue short-term financing bonds	3,000,000,000.00	2016-01-15	45 days	3,000,000,000.00		3,000,000,000.00			3,000,000,000.00	
2016 4th issue short-term financing bonds	3,000,000,000.00	2016-02-29	24 days	3,000,000,000.00		3,000,000,000.00			3,000,000,000.00	
2016 6th issue short-term financing bonds	3,000,000,000.00	2016-03-22	30 days	3,000,000,000.00		3,000,000,000.00			3,000,000,000.00	
2016 7th issue short-term financing bonds	3,000,000,000.00	2016-04-07	17 days	3,000,000,000.00		3,000,000,000.00			3,000,000,000.00	
2016 8th issue short-term financing bonds	3,000,000,000.00	2016-04-19	30 days	3,000,000,000.00		3,000,000,000.00			3,000,000,000.00	
2016 10th issue short-term financing bonds	3,000,000,000.00	2016-05-17	34 days	3,000,000,000.00		3,000,000,000.00			3,000,000,000.00	
2016 13th issue short-term financing bonds	3,000,000,000.00	2016-11-25	30 days	3,000,000,000.00		3,000,000,000.00			3,000,000,000.00	
2015 1th issue short-term financing bonds	5,000,000,000.00	2015-06-10	270 days	5,000,000,000.00	5,000,000,000.00				5,000,000,000.00	
2015 2th issue short-term financing bonds	3,000,000,000.00	2015-08-06	270 days	3,000,000,000.00	3,000,000,000.00				3,000,000,000.00	

Name of the bond	Total par value	Issuing date	Bond deadline	Issuing amount	Beginning balance	Issuing in this year	Provision for interest at par value	Overflow discount amortization	Repaying in this year	Ending balance
term financing bonds										
2015 8th issue short-term financing bonds	3,000,000,000.00	2015.12.21	29 days	3,000,000,000.00	3,001,737,704.92				3,001,737,704.92	
<b>Total</b>	<b>58,000,000,000.00</b>	<b>—</b>	<b>—</b>	<b>58,000,000,000.00</b>	<b>11,001,737,704.92</b>	<b>47,000,000,000.00</b>			<b>51,001,737,704.92</b>	<b>7,000,000,000.00</b>

## (XLIII) Long-term loans

Classification of loans	Ending balance	Beginning balance	Interest rate range at the end of year
Pledged loans	769,000,000.00	829,000,000.00	4.2750-4.0375
Mortgage loans	143,933,583.12	190,200,000.00	6.55
Guaranteed loans	16,039,718,041.01	9,456,202,467.96	1.85-5.42
Credit loans	18,236,694,325.58	9,617,303,589.99	1.08-5.085
<b>Total</b>	<b>35,189,345,949.71</b>	<b>20,092,706,057.95</b>	—

## (XLIV) Bonds payable

## 1. Classification of bonds payable

Item	Ending balance	Beginning balance
2016 Phase 1 -Corporate bonds	5,500,000,000.00	
2016 Phase 2 -Corporate bonds	1,500,000,000.00	
2012 Phase 2 mid-term bills	5,979,979,223.86	5,967,145,952.42
2012 Phase 1 mid-term bills	5,957,344,893.44	5,945,315,500.00
2012 Phase 3 mid-term bills	4,463,717,500.00	4,457,407,500.00
Enterprise bonds	3,687,507,742.03	3,581,559,542.63
<b>Total</b>	<b>27,088,549,359.33</b>	<b>19,951,428,495.05</b>



## 2. Changes of increase or decrease in bonds payable

Bond name	Total face value	Issue date	Bond maturity	Issue amount	Beginning balance	Amount issued in this year	Interest accrued according to the face value	Amortization of premium or discount	Repayment in this year	Ending balance
Enterprise bonds	500,000,000.00	2013-12-11	3 years	4,864,801,714.00	3,581,559,542.63		434,098,684.31	328,150,484.91		3,687,507,742.03
2016 Phase 2 - Corporate bonds	5,500,000,000.00	2016-10-17	7 years	5,500,000,000.00		5,500,000,000.00				5,500,000,000.00
2016 Phase 1 - Corporate bonds	1,500,000,000.00	2016-10-17	5 years	1,500,000,000.00		1,500,000,000.00				1,500,000,000.00
2012 Phase 3 mid-term bills	4,500,000,000.00	2012-09-14	10 years	4,500,000,000.00	4,457,407,500.00		6,310,000.00			4,463,717,500.00
2012 Phase 2 mid-term bills	6,000,000,000.00	2012-07-17	7 years	6,000,000,000.00	5,967,145,952.42		12,833,271.44			5,979,979,223.86
2012 Phase 1 mid-term bills	6,000,000,000.00	2012-06-19	10 years	6,000,000,000.00	5,945,315,500.00		12,029,393.44			5,957,344,893.44
<b>Total</b>	<b>24,000,000,000.00</b>	<b>—</b>	<b>—</b>	<b>28,364,801,714.00</b>	<b>19,951,428,495.05</b>	<b>7,000,000,000.00</b>	<b>465,271,349.19</b>	<b>328,150,484.91</b>		<b>27,088,549,359.33</b>

## (XLV) Long-term payables

Item	Ending balance	Beginning balance
<b>Total</b>	<b>321,590,131.78</b>	<b>803,578,783.53</b>
Including: 1. China Shipbuilding Industry Corporation	262,947,563.79	246,122,122.24
2. Financing lease fee (CSSC Ruiyun Finance Leasing (Tianjin) Co., Ltd)	18,930,384.04	25,333,330.00
3. Project margin-Huaxing	16,300,000.00	
4. Financing lease fee -Wanfeng	7,017,477.47	9,991,582.15
5. lease fee-CNAC	5,836,668.88	2,262,309.67

## (XLVI) Long-term employee benefits payable

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Post-employment benefit-defined contribution plans	310,503,608.05	29,209,433.69	32,720,889.05	306,992,152.69
Dismissal benefit	489,828,587.13	4,738,774.62	9,111,478.54	485,455,883.21
Other long-term benefits	70,385,785.84	69,963,826.23	67,848,377.89	72,501,234.18
<b>Total</b>	<b>870,717,981.02</b>	<b>103,912,034.54</b>	<b>109,680,745.48</b>	<b>864,949,270.08</b>

## (XLVII) Special payables

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
<b>Total</b>	<b>2,286,621,385.19</b>	<b>706,533,490.54</b>	<b>852,418,636.66</b>	<b>2,140,736,239.07</b>
Including: 1. Funding from board of education	175,930,729.46	110,693,753.70	84,803,796.08	201,820,687.08
2. Project I	168,150,000.00			168,150,000.00
3. Infrastructure appropriated fund for security construction of administrative levels	295,440,792.66	4,420,000.00	165,400,000.00	134,460,792.66
4. Capital fund for Phase I of Longxue Civil Shipbuilding	400,000,000.00			400,000,000.00
5. Project F	241,969,744.58			241,969,744.58

## (XLVIII) Estimated liabilities

Item	Ending balance	Beginning balance
Pending litigation	74,459,564.64	4,000,000.00
Product quality assurance	1,746,656,788.09	1,643,411,780.93
Loss contract pending for execution	11,217,137.97	210,459,817.82
Impairment provision of construction contract <sup>Note1</sup>	1,368,268,165.88	556,692,774.67
Expected performance loss of procurement contract <sup>Note2</sup>	21,693,584.90	49,018,776.36
Others	115,027,430.38	111,111,748.03
<b>Total</b>	<b>3,337,322,671.86</b>	<b>2,574,694,897.81</b>

Note 1: In accordance with the Accounting Standards of the Construction Contracts, the Group accrued the "impairment loss provision - the estimated loss of the contract" for the construction contract with impairment. In the preparation of the financial statements, the Group will reclassify the negative amount of inventory arising from the amount of "inventory depreciation reserve - contractual loss" exceeding the carrying amount of the inventory to this subject.

Note 2 : It refers to the China Shipping Mitsu expects performance loss of the implementation of the diesel procurement contract.

## (XLIX) Deferred income

Item/Classification	Beginning balance	Increase in this year	Decrease in this year	Ending balance
National financial subsidy projects	175,244,334.91	475,493,696.33	246,272,455.93	404,465,575.31
Local financial subsidy projects	25,604,981.41	186,195,275.20	106,348,709.73	105,451,546.88
Research funds subsidy projects	528,633,558.87	586,120,973.58	287,582,819.85	827,171,712.60
Relocation compensation	119,694,551.90	8,458,170.00	116,168,062.89	11,984,659.01
<b>Total</b>	<b>849,177,427.09</b>	<b>1,256,268,115.11</b>	<b>756,372,048.40</b>	<b>1,349,073,493.80</b>

## Government subsidies:

Classification of government subsidies	Ending book balance		Amount recognized as current profit or loss	Amount returned in this year	Reason of return
	Amount listed as other current liabilities	Amount listed as other current liabilities			
National financial subsidy projects		404,465,575.31	246,272,455.93		
Local financial subsidy projects		105,451,546.88	106,348,709.73		
Research funds subsidy projects	8,465,604.48	827,171,712.60	287,582,819.85		
Relocation compensation		11,984,659.01	116,168,062.89		
<b>Total</b>	<b>8,465,604.48</b>	<b>1,349,073,493.80</b>	<b>756,372,048.40</b>		—

## (L) Other non-current liabilities

Item	Ending balance	Beginning balance
Exchange gain or loss to be written-off	12,283,576.50	12,283,576.50
Other liabilities	1,072,008.29	1,072,008.29
Project of debt-to-equity swap of China Huarong Asset Management Co., Ltd	31,410,000.00	31,410,000.00
The general contracting reform of Jiangnan Shipyard	5,644,759.76	5,644,759.76

Item	Ending balance	Beginning balance
pending to be processed, will be written-off after the approval of the SASAC		
The estimated value of assessment of the restructuring of the Installation Company	8,452,848.29	8,452,848.29
<b>Total</b>	<b>58,863,192.84</b>	<b>58,863,192.84</b>

## (LI) Paid-up capital

Name of investor	Beginning balance		Increase	Decrease	Ending balance	
	Investment amount	Investment amount			Investment amount	Proportion
National capital	24,500,000,000.00	100.00%	1,000,000,000.00		25,500,000,000.00	100.00%
<b>Total</b>	<b>24,500,000,000.00</b>	<b>100.00%</b>	<b>1,000,000,000.00</b>		<b>25,500,000,000.00</b>	<b>100.00%</b>

Note 1 : According to the Notice of the State-owned Assets Supervision and Administration Commission of the Ministry of Finance on Releasing the Central State-owned Capital Operating Budget (Appropriation) of China Shipbuilding Industry Corporation in 2016 (Cai Zi [2016] No. 18), the Company recognised the central state- Economic restructuring funds 1 billion yuan in the national capital.

Note 2: The paid-up capital of the Company is RMB 25.5 billion and the registered capital is RMB 22 billion, and the difference is because of the incompletion of the industrial and commercial registration. The paid-up capital registered on the State-owned Assets Property Registration Certificate is RMB 22 billion and the difference is because of the incompletion of the title change.

## (LII) Capital reserve

Item	Beginning balance	Increase	Decrease	Ending balance
Capital (Share) premium	3,738,496,446.38	2,172,094,911.18	546,023,785.53	5,364,567,572.03
Other capital reserve	8,807,571,494.72	297,788,553.61	46,872,637.62	9,058,774,012.54
Including : Other equity change of the invested entity	72,419,142.19	339,795.41		73,045,539.43
Others	8,735,152,352.53	297,448,758.20	46,872,637.62	8,985,728,473.11
Capital reserve transferred in from the previous system	1,400,172,076.83			1,400,172,076.83
<b>Total</b>	<b>13,946,240,017.93</b>	<b>2,469,883,464.79</b>	<b>592,896,423.15</b>	<b>15,823,513,661.40</b>
Including: Exclusively state-owned capital reserve	3,738,496,446.38	2,172,094,911.18	546,023,785.53	5,364,567,572.03

Note: 1."Capital premium" increased by RMB 2,172,094,911.18, decreased by RMB 546,023,785.53, including:

(1) In 2016, the Company and some subsidiaries directly transferred the capital appropriation to the capital reserve of RMB 1,347,061,606.01.

(2) On January 8, 2016, according to the Reply of the State-owned Assets Supervision and Administration Commission on "Issues Concerning the Transfer of Shares of China COSCO Holdings Co., Ltd. held by China Ocean Shipping (Group) Company" (No. 1616), The COSCO Group transferred the 204 million A shares of the stock company owned to our company free of charge. The Company confirms the book value of the shares transferred from COSCO Group, meanwhile increase the capital reserve of RMB 825,033,305.17.

(3) The Company transferred 43.92 million A shares of Chinese ship to China Ocean Shipping (Group). The capital reserve of group was written off by RMB 546,023,785.53, details as described in Note VII、(VII)/1.

2、"Other capital reserves - other" increased by RMB 297,448,758.20 this year, of which:

(1) The subsidiary of group, Shanghai Jiangnan Shipyard Co., Ltd put the compensation for the relocation of linpu branch to capital reserve of RMB 115,649,154.90

(2) In 2016, The Subsidiary- CSSC Steel Structure Engineering Co., Ltd issued the shares to purchase the assets and raised the matching funds. The share of the owners' equity in the Steel Construction Project changed accordingly, and corresponding increase in capital reserve RMB 178,182,464.84. The details as described in Note VII、(VII)/1.

(3) In 2016, the Company transferred out the capital reserve was due to disposal subsidiary, and increased the capital reserve by RMB 3,617,138.46.

3、"Other capital reserves - other" this year decreased RMB 46,872,637.62, of which:

(1) Changes in capital of various funds accounted for by subordinate institutions led to RMB 41,688,772.61 reduction in capital reserve.

(2) In 2016, the subsidiary, Chinese ship transferred the equity interest in the Guangzhou Ships owed by it to the company. The consideration for the equity transfer is RMB 354,967,242.15. The difference between the consideration paid and the share of the net assets of Guangzhou Dock plus the original goodwill reduced the capital reserve RMB 5,183,865.01.

(LIII) Special reserves

Item	Beginning balance	Accrued in this year	Decrease in this year	Ending balance	Notes
Safety production cost	75,146,490.93	209,861,043.07	209,848,014.69	75,159,519.31	
<b>Total</b>	<b>75,146,490.93</b>	<b>209,861,043.07</b>	<b>209,848,014.69</b>	<b>75,159,519.31</b>	—

Including: The special reserve belonged to the shareholder's equity of the parent Company is RMB 64,881,662.88.

(LIV) Surplus reserve

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Statutory surplus reserve	2,152,255,248.23	177,884,591.40		2,330,139,839.63
<b>Total</b>	<b>2,152,255,248.23</b>	<b>177,884,591.40</b>		<b>2,330,139,839.63</b>

Note: The increase is due to extract the surplus reserve based on the 10% of net profit of parent company.

(LV) Undistributed profits

Item	This year	Last year
Ending balance of last year	18,178,125,030.59	15,922,903,196.89
Add: Changes in accounting policies <sup>Note1</sup>		-24,985,000.00
Corrections of prior period errors <sup>Note1</sup>		-17,530,368.72
Beginning balance of this year	18,178,125,030.59	15,880,387,828.17
Increase in this year	1,823,349,933.65	2,717,089,559.04
Including: Net profits attributable to the shareholders of the parent company transferred in	2,441,952,718.38	2,755,291,797.23
Other factors of adjustments <sup>Note2</sup>	-618,602,784.73	-38,202,238.19
Decrease in this year	329,534,491.40	419,352,356.62
Including: Surplus reserve accrued in this year	177,884,591.40	292,528,016.25
General risk reserve accrued in this year		
Cash dividend distributed in this year	151,649,900.00	126,447,700.00
Transfer to increase capital		
Other deductions		376,640.37
Ending balance of the year	19,671,940,472.84	18,178,125,030.59

Note 1: Changes in accounting policies, Corrections of prior period errors are detailed in Note V (1), (3).

Note 2: In 2016, other adjustment factor is the Bank of Shanghai shares listed on the market held by the three-tier units China ship International Trade Co., Ltd. In accordance with the requirements of the Shanghai SASAC, the company transferred part of the shares to the Social Security Foundation free of charge. According to the financial enterprise [2009] No. 94 document, the Group reduced the undistributed profit by the amount of RMB 618,602,784.73 from the long-term equity investment that has been transferred.

## (LVI) Operating revenue、operating cost

## 1. Operating revenue、operating cost

Item	This year		Last year	
	Revenue	Cost	Revenue	Cost
(1) Subtotal of main business	197,116,565,754.57	183,540,921,812.80	187,838,374,113.14	177,623,805,999.98
Logistics and investment business	114,786,504,106.67	112,042,521,058.01	98,136,483,856.29	96,205,903,130.36
Shipbuilding and repairing business	71,471,471,791.33	63,164,385,308.81	80,227,606,812.80	73,622,724,986.96
Ancillary services business	6,747,805,470.18	5,165,273,218.24	5,527,554,549.35	4,620,226,618.17
Scientific research business	4,110,784,386.39	3,168,742,227.74	3,946,728,894.70	3,174,951,264.49
(2) Subtotal of other business	547,767,394.49	327,858,803.84	807,468,722.56	465,662,657.51
Leasing business	165,677,837.77	56,413,465.57	127,905,377.08	19,910,481.49
Sales of material	160,382,213.62	100,560,224.45	119,801,497.23	20,163,535.01
Laboring service revenue	68,523,880.21	39,394,687.29	102,271,111.19	44,482,305.35
Power energy fee	54,540,058.13	53,033,992.62	251,350,691.29	247,186,778.72
Technology transfer and service	45,864,999.87	32,700,786.11	65,613,861.59	11,999,457.58
Processing revenue	17,955,486.77	12,867,440.57	81,435,349.81	67,350,646.26
Others	34,822,918.12	32,888,207.23	59,090,834.37	54,569,453.10
<b>Total</b>	<b>197,664,333,149.06</b>	<b>183,868,780,616.64</b>	<b>188,645,842,835.70</b>	<b>178,089,468,657.49</b>

## 2. The top 10 of the largest amount of Construction contract to confirm income in the current period

Contract item	The total amount of the contract	Total cost of contract	The progress of the completion (%)	Accumulated recognition of contract revenue	Accumulated recognition of contract cost	Accumulated recognition of contract gross profit	Has been Settled price	Cumulative receipts	Contract revenue recognized in the current period	Contract cost recognized in the current period
<b>I. Fixed cost contract</b>										
1.H2581	3,281,480,000.00	3,187,000,000.00	75.16	2,466,444,291.20	2,395,430,706.90	71,013,584.30	2,953,332,000.00	2,953,332,000.00	1,523,382,322.22	1,452,368,737.92
2.462007-13#	1,625,300,000.00	1,411,080,000.00	93.99	1,527,619,470.00	1,326,274,092.00	201,345,378.00	650,120,000.00	650,120,000.00	1,405,598,478.89	1,204,253,100.89
3.H2586	3,281,480,000.00	3,187,000,000.00	50.63	1,661,354,485.98	1,613,520,956.04	47,833,529.94	2,461,110,000.00	2,461,110,000.00	1,387,302,967.31	1,339,469,437.37
4.H2587	3,281,480,000.00	3,187,000,000.00	39.54	1,297,451,729.97	1,260,095,646.91	37,356,083.06	1,968,888,000.00	1,968,888,000.00	1,230,352,633.75	1,192,996,550.69
5.462007-12#	1,625,300,000.00	1,415,098,548.73	100.00	1,625,300,000.00	1,415,098,548.73	210,201,451.27	1,625,300,000.00	487,590,000.00	1,198,922,054.09	988,720,602.82
6.H2502	1,498,840,000.00	1,421,420,000.00	78.86	1,181,911,485.80	1,120,861,882.63	61,049,603.17	1,049,188,000.00	1,048,648,000.00	837,316,003.91	776,266,400.74
7.174000 cubic meter LNG-7#	138,309,000.00	1,369,100,000.00	73.52	1,012,883,800.00	1,006,562,320.00	6,321,480.00	140,199,350.00	140,199,350.00	781,084,343.45	774,762,863.45
8.174000 cubic meter LNG-8#	140,883,000.00	1,342,560,000.00	57.18	802,019,200.00	767,675,808.00	34,343,392.00	285,438,300.00	285,438,300.00	711,623,137.98	677,279,745.98
9.H2510	3,281,480,000.00	3,111,303,883.79	100.00	3,281,480,000.00	3,111,303,883.79	170,176,116.21	3,281,480,000.00	3,215,850,400.00	666,638,371.48	581,310,658.02
10.14400TA-6#	736,410,000.00	685,470,000.00	91.02	670,280,382.00	623,914,794.00	46,365,588.00	368,205,000.00	368,205,000.00	644,116,040.65	597,750,452.65
<b>Subtotal</b>	<b>18,890,962,000.00</b>	<b>20,317,032,432.52</b>		<b>15,526,744,844.95</b>	<b>14,640,738,639</b>	<b>886,006,205.95</b>	<b>14,783,260,650</b>	<b>13,579,381,050</b>	<b>10,386,336,353.73</b>	<b>9,585,178,550.53</b>
<b>II. Cost plus contract</b>										
1. Jiangsu University of Science and Technology new campus construction project	2,925,000,000.00	2,841,010,000.00	49.00	1,676,000,192.99	1,634,844,900.00	41,155,292.99	1,699,670,853.31	17,950,000.00	812,250,192.99	798,429,900.00
2. Zhoushan Port Comprehensive Bonded Zone Qusitan District embankment and land formation project	414,946,822.00	413,841,982.00	64.00	265,353,493.42	264,648,315.82	705,177.60	268,353,493.42	219,930,274.00	226,873,493.42	226,267,481.42
3. Singapore CrestS new shipyard project	196,658,636.05	189,214,854.58	100.00	196,658,636.05	189,214,854.58	7,443,781.47	196,658,636.05	196,678,678.02	108,638,658.07	101,875,844.60



Contract item	The total amount of the contract	Total cost of contract	The progress of the completion (%)	Accumulated recognition of contract revenue	Accumulated recognition of contract cost	Accumulated recognition of contract gross profit	Has been Settled price	Cumulative receipts	Contract revenue recognized in the current period	Contract cost recognized in the current period
design - construction general contracting										
4.Weifang Changle Jijiang Lake community Move back to the district project	350,000,000.00	346,850,000.00	32.00	112,149,471.11	111,141,471.11	1,008,000.00	112,149,471.11	109,252,182.53	80,997,799.58	80,273,299.58
5.Haying Industrial Park and conditional construction project management general contracting	164,994,410.38	164,474,742.95	38.00	63,484,985.97	63,287,512.35	197,473.62	63,484,985.97	71,073,743.88	63,484,985.97	63,287,512.35
6. 1 # sub-loading and unloading plant works	93,579,035.71	93,573,422.65	62.00	57,594,092.46	57,590,612.36	3,480.10	57,594,092.46	57,668,543.56	57,594,092.46	57,590,612.36
7. Cost plus contract-11.5t	715,461,730.44	780,617,987.98	100.00	620,770,387.34	675,949,164.62	-55,178,777.28	286,075,346.65	715,461,730.44	50,144,483.76	38,450,727.76
8.Longxue base workers dormitory area (phase1)	415,604,796.40	414,143,685.79	95.00	394,797,823.76	393,409,768.68	1,388,055.08	373,660,027.17	121,278,823.20	49,910,698.59	49,735,073.09
9.China Ship Qinzhou Shipwreck Resource Integration Project Vertical Barrier, Floating Dock Mooring Facilities and Dredging Project Management General Contract	83,446,652.66	83,111,394.18	58.00	48,481,027.18	48,286,577.26	194,449.92	48,480,927.18	48,500,376.00	48,481,027.18	48,286,577.26
10.Yangpu District 149 block building new office building underground garage project	129,280,000.00	129,152,000.00	93.00	120,217,956.47	120,098,919.87	119,036.60	120,217,956.47	105,146,321.00	47,560,039.47	47,512,682.87
<b>Subtotal</b>	<b>5,488,972,083.64</b>	<b>5,455,993,070.13</b>		<b>3,555,508,086.75</b>	<b>3,558,472,096.65</b>	<b>-2,964,029.90</b>	<b>3,226,345,789.79</b>	<b>1,682,940,672.63</b>	<b>1,545,935,471.49</b>	<b>1,511,709,711.29</b>

## 3. The reason and amount of the expected loss of construction contract this year

Construction project	Estimated amount of loss	The reason of expected loss	Notes
H2544	34,877,582.17	The price of the ship is lower than the cost	
H2575	14,975,150.00	The price of the ship is lower than the cost	
H2605	14,460,000.00	The price of the ship is lower than the cost	
H2606	14,460,000.00	The price of the ship is lower than the cost	
H2607	14,460,000.00	The price of the ship is lower than the cost	
H2585	14,460,000.00	The price of the ship is lower than the cost	
H2595	14,460,000.00	The price of the ship is lower than the cost	
H2596	14,460,000.00	The price of the ship is lower than the cost	
H2572	14,081,051.52	The price of the ship is lower than the cost	
H2571	9,503,742.27	The price of the ship is lower than the cost	
H2583	8,808,059.30	The price of the ship is lower than the cost	
H2574	8,208,690.70	The price of the ship is lower than the cost	
H2582	3,335,948.49	The price of the ship is lower than the cost	
H5637	34,573,504.27	The price of the ship is lower than the cost	
H5632	10,303,414.64	The price of the ship is lower than the cost	
H5595	9,931,320.00	The price of the ship is lower than the cost	
H5596	9,801,540.00	The price of the ship is lower than the cost	
H5629	9,777,931.20	The price of the ship is lower than the cost	
GWS443	9,756,529.63	The price of the ship is lower than the cost	
H5630	9,747,554.00	The price of the ship is lower than the cost	
H5631	9,450,759.71	The price of the ship is lower than the cost	
H5594	9,162,040.00	The price of the ship is lower than the cost	
H5593	8,255,000.00	The price of the ship is lower than the cost	
H5493	7,728,500.00	The price of the ship is lower than the cost	
H5635	5,946,860.70	The price of the ship is lower than the cost	
H5636	5,912,851.20	The price of the ship is lower than the cost	
GWS449	5,476,296.95	The price of the ship is lower than the cost	
GWS441	4,211,529.29	The price of the ship is lower than the cost	
GWS466	4,055,865.14	The price of the ship is lower than the cost	
GWS428	3,924,672.81	The price of the ship is lower than the cost	
GWS456	3,777,728.03	The price of the ship is lower than the cost	
GWS458	2,522,897.05	The price of the ship is lower than the cost	
GWS452	1,069,311.79	The price of the ship is lower than the cost	
GWS470	1,040,550.00	The price of the ship is lower than the cost	
3002.02.02.16694003	501,241.56	The price of the ship is lower than the cost	
3002.03.01.N13020006	-898.63	Loss is less than expected and impairment is reversed	

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Construction project	Estimated amount of loss	The reason of expected loss	Notes
3002.03.01.WZ14020001	-1,470.25	Loss is less than expected and impairment is reversed	
H2356	-160,166.97	Loss is less than expected and impairment is reversed	
H2365	-583,485.86	Loss is less than expected and impairment is reversed	
H2370	-661,871.12	Loss is less than expected and impairment is reversed	
GWS461	-889,989.64	Loss is less than expected and impairment is reversed	
H2357	-1,005,861.79	Loss is less than expected and impairment is reversed	
H2358	-1,071,622.08	Loss is less than expected and impairment is reversed	
H2359	-1,165,804.18	Loss is less than expected and impairment is reversed	
H2371	-1,175,517.98	Loss is less than expected and impairment is reversed	
H2360	-1,177,380.07	Loss is less than expected and impairment is reversed	
GWS427	-1,270,147.53	Loss is less than expected and impairment is reversed	
H2361	-1,515,120.87	Loss is less than expected and impairment is reversed	
H5517	-1,897,900.00	Loss is less than expected and impairment is reversed	
GWS462	-1,976,440.62	Loss is less than expected and impairment is reversed	
GWS465	-2,765,161.67	Loss is less than expected and impairment is reversed	
H5516	-3,504,300.00	Loss is less than expected and impairment is reversed	
H6001	-12,313,380.00	Loss is less than expected and impairment is reversed	
Stena 5 million tons(A)9#	1,178,785.56	The cost is higher than the contract revenue	
Stena 5 million tons(A)10#	1,902,227.40	The cost is higher than the contract revenue	
Baiguo Shan 25 million tons3#	1,005,241.03	The cost is higher than the contract revenue	
Baiguo Shan25 million tons4#	3,062,897.05	The cost is higher than the contract revenue	
N8 11.3 million tons6#	2,874,506.58	The cost is higher than the contract revenue	
N8 11.3 million tons7#	3,456,562.38	The cost is higher than the contract revenue	
N8 11.3 million tons8#	6,391,030.73	The cost is higher than the contract revenue	
Wanli 11.3 tons2#	4,493,450.69	The cost is higher than the contract revenue	
Henghou 3#	645,962.05	The cost is higher than the contract revenue	
Henghou 4#	683,770.36	The cost is higher than the contract revenue	
Wanli 11.3 million tons (B)1#	3,651,300.45	The cost is higher than the contract revenue	
South oil 5 million tons E1#	1,705,214.51	The cost is higher than the contract revenue	
South oil 5 million tons E2#	4,737,729.82	The cost is higher than the contract revenue	
1601-002	10,146,200.00	The price of the ship is lower than the cost	
1401-026	10,049,600.00	The price of the ship is lower than the cost	

Construction project	Estimated amount of loss	The reason of expected loss	Notes
1601-001	6,816,000.00	The price of the ship is lower than the cost	
1601-003	69,381,100.00	The price of the ship is lower than the cost	
1601-004	75,450,600.00	The price of the ship is lower than the cost	
1601-005	21,782,300.00	The price of the ship is lower than the cost	
1601-009	20,065,100.00	The price of the ship is lower than the cost	
1601-010	21,242,400.00	The price of the ship is lower than the cost	
1601-011	22,242,400.00	The price of the ship is lower than the cost	
1601-007	74,122,200.00	The price of the ship is lower than the cost	
H1451	38,060,000.00	The price of the ship is lower than the cost	
H1450	38,460,000.00	The price of the ship is lower than the cost	
H1449	42,560,000.00	The price of the ship is lower than the cost	
H1448	40,530,000.00	The price of the ship is lower than the cost	
H1447	40,530,000.00	The price of the ship is lower than the cost	
H1446	40,530,000.00	The price of the ship is lower than the cost	
H1444	42,560,000.00	The price of the ship is lower than the cost	
H1443	42,560,000.00	The price of the ship is lower than the cost	
H1442	42,560,000.00	The price of the ship is lower than the cost	
H1441	42,560,000.00	The price of the ship is lower than the cost	
H1440	60,310,000.00	The price of the ship is lower than the cost	
H1439	31,670,000.00	The price of the ship is lower than the cost	
H1438	60,310,000.00	The price of the ship is lower than the cost	
H1421	73,680,000.00	The price of the ship is lower than the cost	
H1419	231,360,000.00	The price of the ship is lower than the cost	
H1418	231,360,000.00	The price of the ship is lower than the cost	
H1379	214,960,000.00	The price of the ship is lower than the cost	
H1378	71,870,000.00	The price of the ship is lower than the cost	
H1343	78,120,000.00	The price of the ship is lower than the cost	
H1342	70,960,000.00	The price of the ship is lower than the cost	
H1331	3,490,000.00	The price of the ship is lower than the cost	
H1326	6,260,000.00	The price of the ship is lower than the cost	
H1320	137,830,000.00	The price of the ship is lower than the cost	
H1319	129,830,000.00	The price of the ship is lower than the cost	
H1289	141,350,000.00	The price of the ship is lower than the cost	
H1315	2,150,000.00	The price of the ship is lower than the cost	
H1445	40,530,000.00	The price of the ship is lower than the cost	
1601-008	17,934,100.00	The price of the ship is lower than the cost	
1301-032	3,547,500.00	The price of the ship is lower than the cost	
1601-006	77,352,200.00	The price of the ship is lower than the cost	

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Construction project	Estimated amount of loss	The reason of expected loss	Notes
1301-044	-1,053,843.59	Loss is less than expected and impairment is reversed	
1201-016	-15,720,000.00	Loss is less than expected and impairment is reversed	
1201-017	-16,740,000.00	Loss is less than expected and impairment is reversed	
1401-029	-9,510,000.00	Loss is less than expected and impairment is reversed	
1401-030	-7,340,000.00	Loss is less than expected and impairment is reversed	
1401-027	-11,730,000.00	Loss is less than expected and impairment is reversed	
1401-028	-10,680,000.00	Loss is less than expected and impairment is reversed	
1301-045	-2,437,100.00	Loss is less than expected and impairment is reversed	
H1415	-26,950,000.00	Loss is less than expected and impairment is reversed	
H1414	-26,950,000.00	Loss is less than expected and impairment is reversed	
H1413	-52,450,000.00	Loss is less than expected and impairment is reversed	
H1335	-22,168,164.81	Loss is less than expected and impairment is reversed	
H1332	-2,020,000.00	Loss is less than expected and impairment is reversed	
H1317	-6,140,000.00	Loss is less than expected and impairment is reversed	
H1308	-4,750,000.00	Loss is less than expected and impairment is reversed	
H1327	-4,470,000.00	Loss is less than expected and impairment is reversed	
1301-046	-5,632,360.00	Loss is less than expected and impairment is reversed	
1301-047	-7,043,960.00	Loss is less than expected and impairment is reversed	
1403	-485,969.88	Decrease of estimated losses by completion ratio	
1404	-510,892.60	Decrease of estimated losses by completion ratio	
1522	118,043.14	The estimated total cost of the project is greater than the contract revenue	
1523	285,766.38	The estimated total cost of the project is greater than the contract revenue	
1524	389,174.77	The estimated total cost of the project is greater than the contract revenue	
1521	12,513,400.00	The estimated total cost of the project is greater than the contract revenue	
5000HP	320,000.00	The estimated total cost of the project is greater than the contract revenue	
Tug-1#	467,779.35	The estimated total cost of the project is greater than the contract revenue	
Tug-2#	505,274.15	The estimated total cost of the project is greater than the contract revenue	
Tug-3#	644,350.21	The estimated total cost of the project is greater than the contract revenue	

Construction project	Estimated amount of loss	The reason of expected loss	Notes
HG3XX-8#	-1,100,000.00	completed and carry-over	
HG3XX-9#	-1,100,000.00	completed and carry-over	
HG3XX-10#	-1,100,000.00	completed and carry-over	
HG3XX-11#	-1,100,000.00	completed and carry-over	
Fishing boat-1#	-183,760.00	completed and carry-over	
Fishing boat-2#	-183,760.00	completed and carry-over	
Fishing boat-3#	-183,760.00	completed and carry-over	
Fishing boat-4#	-183,760.00	completed and carry-over	
H1697A 45000t#3 Container ro-ro ship	380,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1698A 45000t#4 Container ro-ro ship	37,060,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1699A 45000t#5 Container ro-ro ship	22,100,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1707A 38000 tons Stainless steel chemical ship#1	64,260,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1708A 38000 tons Stainless steel chemical ship#2	30,640,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1709A 38000 tons Stainless steel chemical ship#3	21,280,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1710A 38000 tons Stainless steel chemical ship#4	10,400,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1715A 17.4 million squares LNG#1(AP)	44,000,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1716A 17.4 million squares LNG#2(AP)	4,550,378.00	The construction period is expected to be longer than expected to increase the processing fee	
H1721A 82000T bulk carrier #1	9,310,000.00	The construction period is expected to be longer than expected to increase the processing fee	
H1726A 82000T bulk carrier #6	-1,390,000.00	Due to changes in the exchange rate is expected to increase revenue	
H1735A 82000 tons bulk freighter	-10,500,333.43	It is expected that the total cost of the contract and the estimated total revenue of the contract will change and the contract gross loss is expected to decrease	
H1736A 82000 tons bulk freighter	-15,224,553.18	It is expected that the total cost of the contract and the estimated total revenue of the contract will change and the contract gross loss is expected to decrease	
8.2 million tons bulk carrier S1232	2,483,100.00	Low prices of ship , labor costs and raw material costs increased	
8.2 million tons bulk carrier S1233	4,693,700.00	Low prices of ship , labor costs and raw material costs increased	
8.2 million tons bulk carrier S1234	9,454,400.00	Low prices of ship , labor costs and raw material costs increased	
8.2 million tons bulk carrier S1235	15,575,600.00	Low prices of ship , labor costs and raw material costs increased	
4000 boxes of container ships S1236	3,620,274.67	Low prices of ship , labor costs and raw material costs increased	
4000 boxes of container ships S1237	2,668,555.60	Low prices of ship , labor costs and raw material costs increased	
Drilling S6034	4,539,700.00	Low prices of ship , labor costs and raw material	

Construction project	Estimated amount of loss	The reason of expected loss	Notes
		costs increased	
Drilling S6035	8,491,100.00	Low prices of ship , labor costs and raw material costs increased	
Geophysical ship S8009	10,054,500.00	Low prices of ship , labor costs and raw material costs increased	
Geophysical ship S8010	5,578,000.00	Low prices of ship , labor costs and raw material costs increased	

## (LVII) Net interest income

Item	This year	Last year
<b>Interest income</b>	<b>673,275,109.62</b>	<b>835,136,294.62</b>
—Deposits at other banks	601,363,051.61	720,187,134.36
—Deposits placed in Central Bank	41,710,967.56	66,972,565.40
—Granting loans and paying on behalf of other parties	29,909,869.88	47,948,197.61
Including: Personal loans and advances		
Corporate loans and advances		
Bill discounting	29,909,869.88	47,948,197.61
—Buying back the sale of financial assets	291,220.57	28,397.25
Including : Interest income from impaired financial assets		
<b>Interest expenses</b>	<b>6,084,286.47</b>	<b>19,256,141.44</b>
—Interbank deposit		
—Borrowing from the Central Bank		
—Loans from other banks	2,629,432.73	2,975,350.98
—Absorption of deposits	3,040,050.13	1,613,461.21
—Financial assets sold under repurchase agreements	111,878.59	12,672,879.87
—Issuance of bonds		
—Others	302,925.02	1,994,449.38
<b>Net interest income</b>	<b>667,190,823.15</b>	<b>815,880,153.18</b>

## (LVIII) Fee and commission income

Item	This year	Last year
<b>Fee and commission income</b>	<b>144,313,433.21</b>	<b>174,461,041.59</b>
—Service charge on agency business	16,914,273.68	24,500,735.25
—Credit commitments fee and commission		226,744.27
—Commission on trust and other fiduciary services	127,399,159.53	149,733,562.07
<b>Fee and commission expenses</b>	<b>2,500,443.38</b>	<b>817,736.96</b>
—Service fee expense	2,500,443.38	817,736.96

Item	This year	Last year
<b>Net fee and commission income</b>	<b>141,812,989.83</b>	<b>173,643,304.63</b>

## (LIX) Sales expense

Item	This year	Last year
Sales service fee	578,569,579.21	528,635,665.42
Employee benefits	348,963,314.19	302,748,018.40
Commission	114,222,691.39	84,871,464.94
Freight cost	90,486,937.95	122,508,465.39
Business expenses	47,807,008.75	59,493,551.15
Exhibition fee	41,782,981.77	13,142,685.73
Advertising fee	15,315,430.42	13,172,550.16
Commission fee on consignment sale	3,775,473.80	3,844,435.31
Depreciation expense	3,719,988.86	4,314,800.78
Packing expenses	2,677,576.53	4,281,497.65
Repair cost	2,097,229.82	1,550,756.73
Loading and unloading charges	1,987,917.78	11,081,672.78
Insurance premium	1,110,830.54	1,396,254.77
Others	86,547,148.87	111,380,408.35
<b>Total</b>	<b>1,339,064,109.88</b>	<b>1,262,422,227.56</b>

## (LX) Administrative expenses

Item	This year	Last year
Employee benefits	2,877,668,226.97	2,676,709,205.40
Research and development expenses	2,811,496,182.92	2,949,107,206.38
Repair cost	947,554,740.00	879,297,772.52
Depreciation expense	397,845,684.51	420,114,137.24
Amortization of intangible assets	290,987,727.30	261,227,866.46
Office expenses	145,766,851.95	156,288,018.50
Business entertainment expenses	94,131,113.70	98,853,828.41
Travel expenses	89,071,993.04	83,164,297.55
Insurance premium	49,683,754.87	50,785,026.33
Consulting fees	43,510,503.87	34,694,192.20
Hiring intermediary agency fee	39,262,313.67	37,072,802.96
Sewage charges	24,406,499.90	21,665,872.65
Litigation fee	20,049,486.63	13,387,238.61
Conference fee	9,607,696.40	10,973,664.62
Board of directors	6,920,455.00	14,872,286.16
Other	1,266,397,634.68	1,479,992,523.30
<b>Total</b>	<b>9,114,360,865.41</b>	<b>9,188,205,939.29</b>



## (LXI) Financial expense

Item	This year	Last year
Interest expenses	2,805,567,154.71	2,887,783,847.52
Less: Interest income	1,192,938,255.39	1,456,825,886.64
Add: Exchange loss	-368,855,589.79	401,631,408.90
Add: Other expense	126,071,319.63	218,255,697.47
<b>Total</b>	<b>1,369,844,629.16</b>	<b>2,050,845,067.25</b>

## (LXII) Asset impairment loss

Item	This year	Last year
Bad debts	528,730,700.38	344,677,886.86
Inventory falling price loss	3,562,060,885.78	881,332,759.73
Impairment loss of available-for-sale financial assets	-292,589,664.64	5,170,994.08
Impairment loss of long-term equity investments	2,051,970.02	5,818,755.54
Impairment loss of fixed assets	59,780,572.16	92,153,870.03
Impairment loss of construction in progress	1,100,616,045.73	546,146,217.31
Other impairment loss	11,044,218.87	857,372,101.81
<b>Total</b>	<b>4,971,694,728.30</b>	<b>2,732,672,585.36</b>

## (LXIII) Change in fair value gains

Sources of changes in fair value	This year	Last year
Financial assets at fair value through profit or loss	-152,400,230.96	68,906,163.98
Including: Gain arising from the changes in fair value of derivative financial assets	-13,063,411.11	34,643,440.26
Financial liabilities at fair value through profit or loss	149,336,917.70	-196,510,665.46
Including: Gain arising from the changes in fair value of derivative financial assets	181,241,917.70	-196,510,665.46
Others	-3,063,313.26	-127,604,501.48

## (LXIV) Investment income

## 1. Source of investment income

Source of investment income	This year	Last year
Investment income of long-term equity investments measured under equity method	2,136,406,646.93	824,058,547.83
Investment income from disposal of long-term equity investment	30,119,727.60	2,041,185,070.31
Investment income from the financial assets at fair value through profit or loss during the holding period	95,051,733.26	86,463,018.24
Investment income from disposal of financial assets at fair value through profit or loss	-186,033,911.55	489,218,479.90

Source of investment income	This year	Last year
Investment income from held-to-maturity investments during the holding period	169,487,148.57	982,801,995.02
Investment income from disposal of held-to-maturity investments	6,194,510.41	
Investment income received from available-for-sale financial assets, etc.	712,286,453.05	268,431,800.09
Investment income from disposal of available-for-sale financial assets	143,381,773.29	432,216,055.53
Gains from remeasurement of the rest equity right by fair value after losing the right of control		2,686,274.51
Others	43,346,188.28	3,270,963.79
<b>Total</b>	<b>3,150,240,269.84</b>	<b>5,130,332,205.22</b>

2.The Group does not have the situation where significant restrictions exist on the remittance of investment income.

(LXV) Non-operating income

1.Non-operating income

Item	This year	Last year	Amount recognized in non-recurring gains and losses of this year
Disposal gain of non-current assets	506,515,107.34	51,542,226.22	506,515,107.34
Including : Disposal gain of fixed assets	448,840,717.69	51,542,226.22	448,840,717.69
Disposal gain of intangible assets	57,674,389.65		57,674,389.65
Debt restructuring gains	133,005.16	179,206.92	133,005.16
Government subsidies	1,311,653,520.16	1,802,008,130.63	885,154,132.59
compensation of the ship Withdrawal	17,004,904.58	71,418,998.42	17,004,904.58
compensatio on McKee exchange rate	12,210,492.56		12,210,492.56
Tax refund	8,832,655.00	21,551,866.33	8,832,655.00
Compensation income	4,835,726.65	29,233,114.79	4,835,726.65
Shanghai shipyard relocation compensation benefits		846,044,955.59	
Damages on breach of contracts		13,264,016.10	
Compensation on the demolition of subway		11,000,000.00	
Others	145,812,364.60	163,906,715.69	145,812,364.60
<b>Total</b>	<b>2,006,997,776.05</b>	<b>3,010,149,230.69</b>	<b>1,580,498,388.48</b>

## 2.Details of government subsidies

Item	This year amount	Last year amount	Related to assets/ Related to income
Subsidy for research funding	391,279,198.53	747,739,846.02	Related to income
Subsidy for research funding	20,087,272.96	27,300,817.95	Related to assets
National financial subsidy project	444,450,481.94	282,713,692.57	Related to income
National financial subsidy project	62,326,749.13	105,041,872.22	Related to assets
Local financial subsidy project	117,494,883.14	140,451,409.48	Related to income
Local financial subsidy project	4,956,703.28	6,140,586.33	Related to assets
Lupu Bridge franchise subsidy	214,472,500.00	214,470,000.00	Related to income
Product subsidies		233,284,610.17	Related to income
Return of tax	56,585,731.18	41,583,709.89	Related to income
Levy compensation		3,281,586.00	Related to income
<b>Total</b>	<b>1,311,653,520.16</b>	<b>1,802,008,130.63</b>	—

## (LXVI) Non-operating expenses

Item	This year	Last year	Amount recognized in non-recurring gains and losses of this year
Disposal loss on non-current assets	122,349,229.01	29,262,727.72	122,349,229.01
Including : Disposal loss of fixed assets	84,407,941.45	29,262,727.72	84,407,941.45
Disposal loss of intangible assets	37,941,287.56		37,941,287.56
Donations to external parties	39,708,543.57	1,909,194.60	39,708,543.57
Estimated loss on performance of procurement contract		49,018,776.36	
Compensation on breach of contract of equity right transfer		20,500,000.00	
Onerous contract to be executed	159,973,760.05	12,845,316.50	159,973,760.05
Fines for breach of contract	4,972,196.80	3,751,874.97	4,972,196.80
Others	97,727,097.12	29,358,163.73	97,727,097.12
<b>Total</b>	<b>424,730,826.55</b>	<b>146,646,053.88</b>	<b>424,730,826.55</b>

## (LXVII) Income tax expense

## 1.Income tax expense

Item	This year	Last year
Current year income tax expense calculated according to tax laws and relevant regulations	759,024,669.11	1,326,989,605.24
Adjustment to deferred income tax	267,675,730.10	-228,608,169.74
Others	3,193,497.32	-1,511,462.16
<b>Total</b>	<b>1,029,893,896.53</b>	<b>1,096,869,973.34</b>

## 2.Reconciliation process of accounting profit and income tax expenses

Item	Amount incurred in this year
Total consolidated profit of this year	1,970,370,972.24
Income tax expenses calculated according to the appropriate/ applicable tax rates	492,592,743.06
The impact of subsidiaries applied for different tax rates	-28,646,463.12
The impact of adjustments on the income tax of prior period	24,049,846.19
The impact of non-taxable income	-513,183,881.06
The impact of non-deductible costs, expenses and losses	55,790,190.33
The impact of using the deductible loss of the deferred tax assets unrecognized in the prior period	-23,779,112.03
The impact of the deductible temporary difference or the deductible loss of the deferred tax assets unrecognized in the current period	1,204,975,860.70
Research and development additional deduction	-181,905,287.54
Income tax expenses	1,029,893,896.53

## (LXVIII) Other comprehensive income

1.Each item of other comprehensive income, the income tax impact of such items and the details of transferred into profit or loss

Item	This year			Last year		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
I、Other comprehensive income not to be classified into profit or loss	-10,953,846.00	-1,668,000.00	-9,285,846.00	-25,262,175.00	-4,675,000.00	-20,587,175.00
1. Changes in net assets or net liabilities from remeasurement of defined benefit plans	-10,773,000.00	-1,668,000.00	-9,105,000.00	-25,612,500.00	-4,675,000.00	-20,937,500.00
2. Other comprehensive income entitled in the invested company not to be reclassified in profit or loss under the equity method	-180,846.00		-180,846.00	350,325.00		350,325.00
II、Other comprehensive income to be classified into profit or loss	157,233,443.25	428,441,339.09	-269,552,895.85	71,068,271.97	7,281,316.18	64,465,520.05
1. Other comprehensive income entitled in the invested company to be reclassified in profit or loss under the equity method	-255,369,739.88	-440,309.66	-254,929,430.22	-14,569,270.90	1,160,283.07	-15,729,553.97
Less : Net amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year						
Subtotal	-255,369,739.88	-440,309.66	-254,929,430.22	-14,569,270.90	1,160,283.07	-15,729,553.97
2. Gain or loss from fair value changes in available for sale financial assets	798,495,458.47	553,854,279.94	246,296,178.53	667,716,236.04	155,558,687.60	512,836,112.70
Less : Net amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year	499,890,524.73	124,972,631.19	374,917,893.55	597,750,617.96	149,437,654.49	448,312,963.47
Subtotal	298,604,933.74	428,881,648.75	-128,621,715.02	69,965,618.08	6,121,033.11	64,523,149.23

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Item	This year			Last year		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
3. Profit or loss from reclassifying the held to maturity investments to available for sale financial assets						
Less : Amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year						
Subtotal						
4. Effective portion of cash flow hedging profit or loss						
Adjustment amount on the amount initially recognized when turned into the hedged item						
Less : Amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year						
Subtotal						
5. Translation difference of foreign currency financial statements	113,998,249.39		113,998,249.39	15,671,924.79		15,671,924.79
Less : Amount recorded in other comprehensive income in prior periods and transferred into profit or loss in this year						
Subtotal	113,998,249.39		113,998,249.39	15,671,924.79		15,671,924.79
III、Total other comprehensive income	146,279,597.25	426,773,339.09	-278,838,741.85	45,806,096.97	2,606,316.18	43,878,345.05

2.Details of adjustments on each item of other comprehensive income

Item	Beginning balance of last year	Increase or decrease in last year	Beginning balance of this year	Increase or decrease in this year	Ending balance of this year
Changes in net assets or net liabilities from remeasurement of defined benefit plans	-47,493,000.00	-20,937,500.00	-68,430,500.00	-9,105,000.00	-77,535,500.00
Other comprehensive income entitled in the invested company can not to be reclassified in profit or loss under the equity method	-350,325.00	350,325.00		539,800.81	539,800.81
Other comprehensive income entitled in the invested company to be reclassified in profit or loss under the equity method	52,072,680.29	46,832,372.79	98,905,053.08	-66,553,265.04	32,351,788.04
Changes in fair value of available-for-sale financial assets	719,911,211.75	18,040,204.88	737,951,416.63	-142,469,804.50	595,481,612.13
Translation difference of foreign currency financial statements	-233,501,576.00	17,362,518.25	-216,139,057.75	-50,972,668.83	-267,111,726.58
<b>Total</b>	490,638,991.04	61,647,920.92	552,286,911.96	-268,560,937.56	283,725,974.40

(LXIX) Borrowing cost

Item	Rate of capitalization	Amount capitalized
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Item	Rate of capitalization	Amount capitalized
OCEANBULK	3.59%	29,525,480.55
Design R & D Center Construction Project	4.75%	25,080,353.55
Phase Two of Tian He Jia Yuan	5.31%	22,812,030.85
Construction of Dynamic development platform	2.10%	2,120,566.94
Wartsila mid - speed plant construction	1.87%	1,322,253.29
New Pipe Factory Unit Assembly Workshop (Phase II)	4.66%	1,106,120.87
Phase Two of Ruiyuan Apartment	4.75%	1,061,128.23
Phase Two of Industrial Park	1.08%	488,353.18
Ship supporting technical transformation project (Phase I)	4.66%	355,117.41
R & D building project	1.80%	153,241.32
Phase Two of Power business plate	1.08%	133,896.31
<b>Total</b>	—	<b>84,158,542.50</b>

## (LXX) Translation of foreign currencies

Item	This year
Exchange difference recognized in current profit or loss	-368,855,589.79
Translation difference of foreign currency financial statements from disposal of overseas operation transferred into current profit or loss	113,998,249.39
<b>Total</b>	<b>-254,857,340.40</b>

## (LXXI) Leases

## 1. Minimum lease receipts under finance leases (the Group as a lessor)

Remaining lease period	Minimum lease receipts
Within 1 year (Including 1 year)	585,271,066.32
Over 1 year and within 2 years (Including 2 years)	655,632,030.91
Over 2 year and within 3 years (Including 3 years)	654,924,367.38
Over 3 years	5,228,874,319.99
<b>Total</b>	<b>7,124,701,784.60</b>

## 2. Fixed assets rented in under finance leases (lessee of a finance lease)

Item	Ending balance	Beginning balance
Total original cost	474,675,331.44	636,877,003.07
Including: Machines and equipment	314,260,872.31	476,462,543.94
Transportation equipment	85,739,127.69	85,739,127.69
Others	74,675,331.44	74,675,331.44
Accumulated depreciation Total	71,923,834.47	62,834,342.57
Including: Machines and equipment	38,412,243.26	43,966,962.94
Transportation equipment	19,766,204.26	9,835,439.68

Item	Ending balance	Beginning balance
Others	13,745,386.95	9,031,939.95
Total impairment provision		
Including: Machines and equipment		
Transportation equipment		
Others		
Total book value	402,751,496.97	574,042,660.50
Including: Machines and equipment	275,848,629.05	432,495,581.00
Transportation equipment	65,972,923.43	75,903,688.01
Others	60,929,944.49	65,643,391.49

## 3. Minimum lease payments (lessee of a finance lease)

Remaining lease period	Minimum lease payments
Within 1 year (Including 1 year)	424,062,088.66
Over 1 year and within 2 years (Including 2 years)	11,913,875.40
Over 2 year and within 3 years (Including 3 years)	10,453,815.71
Over 3 years	9,726,980.28
<b>Total</b>	<b>456,156,760.05</b>

Note: The balance of unrecognized financial charges of the lessee of the finance lease is RMB 18,845,181.20.

## 4. Assets leased out under operating leases (the Group as a lessor)

Assets leased out under operating leases	Ending balance	Beginning balance
Transportation tools	3,357,470,909.46	2,941,173,170.59
Houses and buildings	2,001,011,614.25	2,142,830,300.86
Machines and equipment	305,522,924.90	394,662,317.64
Land use right	13,309,455.78	13,615,420.27
Other equipment	8,084,451.85	11,940,237.75
Electronic equipment	7,630,451.95	9,516,597.44
<b>Total</b>	<b>5,693,029,808.19</b>	<b>5,513,738,044.55</b>

## 5. Major operating leases (lessee of an operating lease)

Remaining lease period	Minimum lease payments on irrevocable operating leases
Within 1 year (Including 1 year)	52,334,818.95
Over 1 year and within 2 years (Including 2 years)	32,943,592.10
Over 2 year and within 3 years (Including 3 years)	19,106,582.47
Over 3 years	41,357,575.97
<b>Total</b>	<b>145,742,569.49</b>

## (LXXII) Segment information

Item	Ship building and repairing business		Supporting services business		Scientific research business	
	This year	Last year	This year	Last year	This year	Last year
Operating revenue	75,903,627,489.38	84,470,276,424.47	14,438,540,181.68	14,377,013,843.85	5,835,092,314.79	5,541,626,512.31
Including : Revenues from transactions with outside parties	71,475,575,569.39	77,183,367,846.22	7,174,675,747.98	9,215,240,067.80	4,154,588,334.70	3,985,196,818.61
Revenue from intra-segment transactions	4,428,051,919.99	7,286,908,578.25	7,263,864,433.70	5,161,773,776.05	1,680,503,980.09	1,556,429,693.70
Investment income from investments in associated enterprises and joint venture enterprises	-89,351,037.26	-65,031,266.82	1,373,217,917.59	523,416,972.21	1,564,825.02	2,549,940.10
Asset impairment loss	4,439,383,202.21	1,294,689,000.01	189,515,701.14	1,050,250,808.15	7,699,977.44	6,881,139.28
Depreciation expense and amortization expense	2,966,587,480.48	2,946,206,060.98	500,797,658.95	480,811,617.22	149,252,889.34	139,994,353.88
Total profit	-2,848,742,664.11	267,513,895.10	2,935,388,460.16	4,229,990,703.42	431,583,395.03	379,571,962.76
Income tax expense	394,674,719.57	584,365,130.98	337,186,888.81	616,197,683.44	40,741,574.18	20,835,566.59
Net profit	-3,243,417,383.68	-316,851,235.88	2,598,201,571.35	3,613,793,019.98	390,841,820.85	358,736,396.17
Total assets	175,432,323,628.40	171,406,384,306.18	179,546,530,232.01	168,442,376,495.37	14,179,501,679.56	12,786,976,353.89
Total liabilities	146,512,991,723.44	140,567,184,434.63	112,356,338,923.60	107,243,189,482.98	8,594,244,417.45	7,741,331,213.33
Other significant non-cash items						
Including: Non-cash expense other than depreciation expense and amortization expense						
Long-term equity investments in associated enterprises and joint venture enterprises						
Continued:						
Item	Logistics, finance and other business		Offset		Total	
	This year	Last year	This year	Last year	This year	Last year



Item	Logistics, finance and other business		Offset		Total	
	This year	Last year	This year	Last year	This year	Last year
Operating revenue	126,105,844,997.33	112,000,080,158.78	-24,618,771,834.12	-27,743,154,103.71	197,664,333,149.06	188,645,842,835.70
Including : Revenues from transactions with outside parties	114,859,493,496.99	98,262,038,103.07			197,664,333,149.06	188,645,842,835.70
Revenue from intra-segment transactions	11,246,351,500.34	13,738,042,055.71	-24,618,771,834.12	-27,743,154,103.71		
Investment income from investments in associated enterprises and joint venture enterprises	854,826,634.42	473,351,503.58	-108,300,319.77	-110,228,601.24	2,031,958,020.00	824,058,547.83
Asset impairment loss	139,359,139.78	583,639,401.17	195,736,707.73	-202,787,763.25	4,971,694,728.30	2,732,672,585.36
Depreciation expense and amortization expense	436,006,136.10	282,244,116.08	-2,912,079,785.09	-3,723,170,501.67	1,140,564,379.78	126,085,646.49
Total profit	2,182,402,241.80	1,665,070,175.29	-730,260,460.64	-2,869,888,508.50	1,970,370,972.24	3,672,258,228.07
Income tax expense	302,507,829.46	253,103,142.77	-45,217,115.49	-377,631,550.44	1,029,893,896.53	1,096,869,973.34
Net profit	1,879,894,412.34	1,411,967,032.52	-685,043,345.15	-2,492,256,958.06	940,477,075.71	2,575,388,254.73
Total assets	103,236,753,100.93	90,768,410,455.04	-189,041,152,125.32	-175,903,731,373.48	283,353,956,515.58	267,500,416,237.00
Total liabilities	78,134,608,755.95	70,170,404,915.68	-145,606,831,295.85	-136,840,252,119.53	199,991,352,524.59	188,881,857,927.09
Other significant non-cash items						
Including: Non-cash expense other than depreciation expense and amortization expense						
Long-term equity investments in associated enterprises and joint venture enterprises						

## (LXXIII) Notes to consolidated cash flow statement

## 1. Supplementary information of consolidated cash flow statement

Item	This year	Last year
1. Reconciliation of net profit to cash flows from operation activities	—	—
Net profit	940,477,075.71	2,575,388,254.73
Add: Asset impairment provision	4,971,694,728.30	2,732,672,585.36
Loss from disposal of fixed assets, intangible assets and other long-term assets	4,227,132,864.09	3,542,954,638.80
Amortization of intangible assets	376,133,907.53	317,788,674.44
Amortization of long-term deferred expenses	106,797,175.88	90,354,812.25
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as “-”)	-390,016,607.16	-37,797,061.81
Scrapped loss on fixed assets (Gain listed as “-”)	5,850,728.83	15,517,563.31
Loss from changes in fair value (Gain listed as “-”)	3,063,313.26	127,604,501.48
Financial expense (Gain listed as “-”)	2,456,153,234.55	2,168,638,756.22
Investment loss (Gain listed as “-”)	-3,150,240,269.84	-5,130,332,205.22
Decrease of deferred tax assets (Increase listed as “-”)	234,462,730.40	-249,280,491.40
Increase of deferred tax liabilities (Decrease listed as “-”)	-31,832,041.45	91,525.06
Decrease of inventories (Increase listed as “-”)	-7,413,837,138.18	-10,463,735,296.34
Decrease in operating receivables (Increase listed as “-”)	-2,972,625,122.10	-3,577,932,440.95
Increase in operating payables (Decrease listed as “-”)	-16,357,376,459.53	11,623,211,817.35
Others		
Net cash flow generated from operating activities	-16,994,161,879.71	3,735,145,633.28
2. Significant non-cash investing and financing activities	—	—
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance leases arrangement		481,387,896.24
3. Changes in cash and cash equivalents	—	—
Ending balance of cash	57,867,878,222.25	60,413,403,460.27
Less: Cash at beginning of year	60,413,403,460.27	50,829,900,065.32
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-2,545,525,238.02	9,583,503,394.95

## 2. Information of acquiring or disposing subsidiaries and other operating entities in this year

Item	This year
1. Cash or cash equivalents paid in this year for the business combinations incurred in this year	1,880,110,362.78
Less: Cash and cash equivalents held by the subsidiaries at the date of purchase	120,236,529.01

Item	This year
Add: Cash or cash equivalents paid in this year for the business combinations incurred in prior years	
Net balance of cash paid from the acquisition of subsidiaries	1,759,873,833.77
II、Cash and cash equivalents received from disposal of subsidiaries in this year	81,803,935.23
Less: Cash and cash equivalents held by the subsidiaries at the date when losing the right of control	3,895,545.94
Add: Cash and cash equivalents received in this year from disposal of subsidiaries in prior years	593,689,815.00
Net balance of cash received from the disposal of subsidiaries	671,598,204.29

## 3.Cash and cash equivalents

Item	This year	Last year
Cash	57,867,878,222.25	60,413,403,460.27
Including: Cash on hand	4,648,606.83	5,503,518.18
Bank deposits available for payment on demand	53,273,499,842.97	57,438,738,013.95
Other monetary funds available for payment on demand	4,589,729,772.45	2,969,161,928.14
Cash equivalents		
Including: Bond investments due within three months		
Ending balance of cash and cash equivalents	57,867,878,222.25	60,413,403,460.27
Including: Cash and cash equivalents of the parent Company or subsidiaries in the group with restricted use		

## (LXXIV) Foreign currency monetary items

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
<b>Monetary funds</b>			
Including: USD	2,520,235,026.11	6.9370	17,482,870,376.13
EUR	206,227,474.85	7.3068	1,506,862,913.23
HKD	253,493,549.40	0.8945	226,749,979.94
JPY	90,885,442.06	0.0596	5,416,772.35
MOP	33,471.90	0.8708	29,147.33
DKK	597,457.73	1.0171	607,674.26
CAD	998,881.80	5.1406	5,134,851.78
CHF	16,892,128.86	6.7989	114,847,894.91
SGD	9,214.17	4.7995	44,223.41
GBP	844,325.63	8.5094	7,184,704.52
NOK	444,186.53	1.2427	551,990.60
<b>Accounts receivable</b>			
Including: USD	596,063,163.55	6.9370	4,134,890,165.55
EUR	3,601,287.88	7.3068	26,313,890.28
HKD	44,083,021.18	0.8945	39,432,262.45

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
JPY	2,776,431.00	0.0596	165,475.29
MOP	3,277,208.84	0.8708	2,853,793.46
CHF	16,651,510.71	6.7989	113,211,956.17
<b>Long-term borrowings</b>			
Including: USD	2,000,026,011.64	6.9370	13,874,180,442.75
CHF	64,763,749.00	6.7989	440,322,253.08
<b>Interests receivable</b>			
Including: USD	1,711,732.39	6.9370	11,874,287.59
<b>Interests payable</b>			
Including: USD	11,707,349.11	6.9370	81,213,880.78
<b>Other receivables</b>			
Including: USD	105,540,854.70	6.9370	732,136,909.05
EUR	3,209,896.62	7.3068	23,454,072.62
HKD	12,518,584.98	0.8945	11,197,874.26
MOP	659,737.39	0.8708	574,499.32
<b>Non-current assets maturing within one year</b>			
Including: USD	485,314,843.89	6.9370	3,366,629,072.06
<b>Long-term accounts receivable</b>			
Including: USD	1,225,589,018.57	6.9370	8,501,911,021.82
<b>Accounts payable</b>			
Including: USD	35,031,552.71	6.9370	243,013,881.15
HKD	233,587,663.90	0.8945	208,944,165.36
EUR	19,535,987.65	7.3068	142,745,554.56
GBP	142,150.00	8.5094	1,209,611.21
JPY	644,675,082.08	0.0596	38,422,634.89
AUD	166.40	5.0157	834.61
<b>Other payables</b>			
Including: USD	145,557,425.65	6.9370	1,009,731,861.73
HKD	86,448,578.07	0.8945	77,328,253.08
MOP	149,582.82	0.8708	130,256.72
<b>Short-term borrowings</b>			
Including: USD	231,842,895.73	6.9370	1,608,294,167.68
EUR	517,275.00	7.3068	3,779,624.97
<b>Long-term payables</b>			
Including: USD	82,456,217.51	6.9370	571,998,780.87
<b>Bonds payable</b>			
Including: EUR	505,352,648.66	7.3068	3,692,510,733.23

(LXXV) Assets with restricted ownership and right of use

Item	Ending book value	Reason of being restricted
Monetary funds	7,630,454,187.37	Loan pledge, guarantee / bill / letter of credit、 more than three months of time deposits
Notes receivables	153,223,034.76	Pledged for handling bank acceptance bills
Inventories	228,638,998.28	Mortgage loan
Fixed assets	211,045,239.45	The government allocated special funds to purchase fixed assets /mortgage loans
Intangible assets	1,047,079,427.99	Lupu Bridge franchise for security \ mortgage loans
Others	160,960,450.03	pledge loan of payment

### IX、Contingencies

(1) By December 31, 2016, the situation of guaranty provided by the Group to other organizations outside the Group is as following.

Guaranteed unit	Type of guaranty	Amount of guaranty
I、Within the Group		
China Shipbuilding (Hongkong) Shipping Leasing Co., Ltd	Loan guarantee	15,892,599,100.00
Shanghai Shipyard Ship Company Limited	Loan guarantee	7,804,713,800.00
China Shipbuilding Trading Co., Ltd	Other guarantee	6,989,797,500.00
Shanghai Waigaoqiao Shipbuilding Co., Ltd	Loan guarantee	3,096,032,600.00
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd	Loan guarantee	2,250,000,000.00
Shanghai Jiangnan Changxing Heavy Industry Co., Ltd	Loan guarantee	1,748,901,001.10
Shanghai Waigaoqiao Shipbuilding Co., Ltd	Other guarantee	1,498,114,400.00
CSSC Industrial Complete Logistics Co.,Ltd	Other guarantee	1,427,885,300.00
Guangzhou Wenchong Dock Company Limited	Loan guarantee	1,150,000,000.00
Shanghai Waigaoqiao Shipbuilding Marine Engineering Co., Ltd	Loan guarantee	1,010,000,000.00
Hudong China Shipbuilding Group Changxing Shipbuilding Co., Ltd	Loan guarantee	900,000,000.00
Yangzhou Sanwan Investment & Development Co., Ltd	Loan guarantee	825,000,000.00
CSSC Chengxi Shipyard (Guangzhou) Co., Ltd	Loan guarantee	700,000,000.00
China Shipping Service Equipment Co., Ltd	Loan guarantee	549,000,000.00
Hudong China Shipbuilding Group Ship Supporting Equipment Co., Ltd	Loan guarantee	500,000,000.00
CSSC International (Guangzhou) Limited	Loan guarantee	500,000,000.00
CSSC Industrial (Hongkong)Complete Logistics Co.,Ltd	Loan guarantee	434,010,000.00
CSSC (Guangzhou) Wenchong Dock Company Limited	Other guarantee	405,391,000.00
CSSC Chengxi Shipbuilding Co., Ltd	Loan guarantee	400,000,000.00
CSSC Industry Trade (BVI) Limited	Other guarantee	300,000,000.00
Jiangnan Dreis (Nantong) Marine Equipment Manufacturing Co., Ltd	Loan guarantee	300,000,000.00

<b>Guaranteed unit</b>	<b>Type of guaranty</b>	<b>Amount of guaranty</b>
CSSC Industry Trading Company	Loan guarantee	298,870,000.00
Winterthur Gas & Diesel AG	Loan guarantee	263,529,100.00
CSSC Industrial Complete Logistics Co.,Ltd	Loan guarantee	250,000,000.00
CSSC Energy (Singapore) Limited	Performance guarantee	200,000,000.00
Jiulong Iron and Steel Logistics Limited	Loan guarantee	178,400,000.00
Haiying Enterprise Group Co., Ltd	Loan guarantee	145,000,000.00
CSSC (Changshu) meili Urban Integration Construction Co., Ltd	Loan guarantee	115,000,000.00
CSSC Power Reserch Institute Co., Ltd	Loan guarantee	103,000,000.00
CSSC Industrial (Hongkong)Complete Logistics Co.,Ltd	Performance guarantee	100,000,000.00
CSSC Steel Structure Engineering Co., Ltd	Loan guarantee	100,000,000.00
Jiujiang Haitian Equipment Manufacturing Co., Ltd	Loan guarantee	100,000,000.00
Shanghai Jiangnan Shipbuilding Industry Co., Ltd	Loan guarantee	90,000,000.00
Jiulong Iron and Steel Logistics Limited	Other guarantee	81,600,000.00
CSSC (Jiujiang) fire Equipment Co., Ltd	Loan guarantee	55,000,000.00
The Ninth Design and Research Institute of China Shipbuilding Engineering Co., Ltd	Performance guarantee	50,000,000.00
Shanghai Hudong Forging Factory Co., Ltd	Loan guarantee	45,000,000.00
CSSC (Shanghai) Mitsui Shipbuilding Diesel Engine Co., Ltd	Other guarantee	38,920,000.00
The Eleventh Research Institute of China State Shipbuilding Corporation	Loan guarantee	30,000,000.00
CSSC (Xijiang) Shipbuilding Co., Ltd	Loan guarantee	30,000,000.00
Jiangxi Chaoyang Machinery Factory	Loan guarantee	30,000,000.00
The Ninth Design and Research Institute of China Shipbuilding Engineering Co., Ltd	Other guarantee	22,485,000.00
CSSC Southen Shipping Machinery Co., Ltd	Loan guarantee	20,000,000.00
Shanghai Dongding Steel Structure Co., Ltd	Loan guarantee	20,000,000.00
CSSC(Jiangxi ) Navigation Instrument Co., Ltd.	Loan guarantee	20,000,000.00
CSSC Power Equipment Co., Ltd	Loan guarantee	18,000,000.00
CSSC Power Reserch Institute Co., Ltd	Other guarantee	10,455,000.00
Shanghai Hudong Shipyard Oil Pump Co., Ltd	Loan guarantee	10,000,000.00
CSSC(Jiujiang) Trade Co., Ltd	Loan guarantee	10,000,000.00
Shanghai Xinwu Industry and Trade Co., Ltd	Loan guarantee	5,000,000.00
CSSC(Anqing)Shipyard Diesel Engine Co., Ltd	Other guarantee	4,214,300.00
CSSC Power Limited	Performance guarantee	3,299,000.00

<b>Guaranteed unit</b>	<b>Type of guaranty</b>	<b>Amount of guaranty</b>
Shanghai Changxing Metal Processing Co., Ltd	Loan guarantee	3,000,000.00
CSSC (Beijing) Information Technology Co., Ltd	Performance guarantee	2,393,433.00
CSSC(Jiangxi) Valve Complete Equipment Co., Ltd	Loan guarantee	2,000,000.00
CSSC Shipbuilding and Ocean Engineering Design and Research Institute	Performance guarantee	580,000.00
CSSC (Nanjing) Oasis Environmental Protection Co., Ltd	Other guarantee	167,875.00
CSSC (Nanjing) Oasis Machinery Co., Ltd	Other guarantee	110,500.00
CSSC (Nanjing) Oasis Environmental Protection Co., Ltd	Performance guarantee	12,475.00
Totoal of within the Group		51,137,481,384.10
II、Outside the Group		
Shanghai Huarun East Ship Engineering Co., Ltd	Loan guarantee	82,000,000.00
Shanghai Huarun East Ship Engineering Co., Ltd	Loan guarantee	535,000,000.00
Shanghai Huarun East Ship Engineering Co., Ltd	Loan guarantee	250,000,000.00
Wuxi Binhu District Urban Investment Development Co., Ltd	Loan guarantee	482,000,000.00
Totoal of outside the Group		1,349,000,000.00
<b>Totoal</b>		

(II) By December 31, 2016, the forming situation of unresolved lawsuits, and arbitrages of the Group is as following

By the end of the year, matters of the major lawsuits and arbitrages are totally 20 items, as following:

(1) Dispute case between CSSC Huangpu Wenchong Co., Ltd and KC Maritime Limited

On November 18, 2013, the level four entity CSSC Huangpu Wenchong Co., Ltd. (hereinafter referred to as Huangpu Wenchong) signed contract (ship number were H3067, H3068, H3069, H3070) with four companies owned by KC Maritime Limited (hereinafter referred to as KCM) to build four 64,000 ton bulk carriers.

As a result of the both sides have dispute on delivery of these two ships (H3067, H3068), Huangpu Wenchong brought an arbitration to the London Maritime Arbitration Tribunal on January 29, 2016 and June 14, 2016, and the owners of these two ships also filed a countersuit. The amount involved was approximately \$ 19 million and its corresponding interests. By December 31, 2016, the case is still pending.

The shipowners of H3069 and H3070 and the guarantor (KCM) did not pay the second, third and fourth installments in accordance with the contract, which led to Huangpuwen issued

a notice of terminate the contract and stopped the construction of the ship H3070. At present, Huangpu Wen Chong are requiring the guarantor to perform its \$ 13 million security obligations in accordance with the relevant legal procedures. By December 31, 2016, the case is still pending.

(2) Lawsuit of CSSC Offshore and Marine Engineering suing Jiangsu Shenghua

On December 31, 2010, CSSC Offshore and Marine Engineering and the level forth unit Guangzhou Guangli Shipbuilding Human Resource Service Company Limited (hereafter referred to as Guangli Company) filed four lawsuits to the Intermediate People's Court of Zhenjiang, Jiangsu Province (hereafter referred to as "Zhenjiang Intermediate Court"). The lawsuits are respectively as following, namely that CSSC Offshore and Marine Engineering sued Jiangsu Shenghua Shipbuilding Co., Ltd (hereafter referred to as "Jiangsu Shenghua") to return of assets, a dispute case on a technical service contract, and the dispute cases that Guangli Company sued Jiangsu Shenghua about the 'Installation engineering project contract' of 79600 tons bulk cargo freighters #1 and #2. CSSC Offshore and Marine Engineering and Guangli Company requested that: A、①Jiangsu Shenghua shall eliminate the obstruction, and instantly return the production equipment, instruments, and materials which were stored in the plant of Jiangsu Shenghua by the Company and which were belong to the Company to the Company; ②Order that Jiangsu Shenghua shall bear the responsibility for compensation on the spoilage and loss of the aforementioned production equipment, instruments, and materials of the Company; B、Jiangsu Shenghua shall pay the technology service fee and the interest at RMB 2.4 million in arrears and assume the liquidated damages at the amount of RMB 2.4 million; C、Jiangsu Shenghua shall liquidate the engineering project payment, breach of contract damages and loss of work in arrears to Guangli Company at the total amount of RMB 50.2817 million (including: 1# ship 26.8760 million and 2# ship 23.4057 million). On June 4, 2013, the case of the Company suing Jiangsu Shenghua to return of assets was mediated by Wuhan Maritime Court, and Jiangsu Shenghua already returned all the resources and materials.

After the aforementioned three other cases were mediated by Wuhan Maritime Court, the Company applied for the compulsory execution to the court regarding the three cases. The assessment of the seized assets was completed by the evaluation institutions entrusted by the execution court. The court already announced the assessment report delivered and the objection notice on the completed assessment report. On June 4, 2013 and August 8, 2013, the court already conducted two auctions on the seized resources and materials of Jiangsu Shenghua, and both the auctions were aborted. The Company had formally rendered the application of fulfilling the obligations by property to the court on August 19, 2013. In the compulsory execution process of the case, Zhejiang Nantian Posts and Telecommunications Technology Co., Ltd



(hereafter referred to as “Zhejiang Nantian”), as one of the main creditors of Jiangsu Shenghua, sued Jiangsu Shenghua, Guangli Company and the Company as the defendants to Wuhan Maritime Court and requested the court to recognize that Zhejiang Nantian shall be entitled to the priority right to be repaid regarding the resources and materials of Jiangsu Shenghua including the 300T crane, and to stop the execution on the 300T crane, or if the cranes were to be executed, the consideration received should be used to repay the creditor’s right of Zhejiang Nantian to Jiangsu Shenghua in priority. Previously, Zhejiang Nantian had made an objection to the court with the same reason on May 22, 2013 and was rejected by the ruling of the court. The case was held a hearing on November 20, 2013. On December 10, 2013, Wuhan Maritime Court made the first-instance judgment on the case of Zhejiang Nantian (2013 Wuhaifa Shangzi No. 01328 Civil Judgement), and identified that the Company and Guangli Company enjoyed the right to the mortgages on the mortgage properties of Jiangsu Shenghua. The priority of the creditor’s rights to be repaid is prior to Zhejiang Nantian. The court objected the claims of Zhejiang Nantian. On January 3, 2014, the Company received the appellate petition of Zhejiang Nantian sent by Wuhan Maritime Court. Zhejiang Nantian already sued to Hubei Provincial High Court, and requested to cancel the aforementioned judgment of Wuhan Maritime Court and to recognize that Zhejiang Nantian were entitled to the priority right to be repaid prior to Guangli Company regarding the 300T crane of Jiangsu Shenghua. The Company and Guangli Company are under the communication with the court and apply to the court to continue to perform the case of Shenghua. On June 20, 2014, the Company had applied to the court to resume the execution.

In November 2014, the Company received the notice from the implementation judge of Wuhan Maritime Court, stating that Jiangsu Shenghua was adjudicated to be bankruptcy by Zhenjiang Intermediate Court in the end of October. All the cases under execution were suspended of execution. All the creditors should file the creditor’s rights with Zhenjiang Intermediate Court. Now the Company and Guangli Company have completed the statistics on the breakdown of bankruptcy claims and the submission of claims data to the liquidation group. On March 20, 2015, the Company participated in the first meetings of creditors of Jiangsu Shenghua. The meeting of creditors conducted the recognition on the current situation of the creditor's rights and debts of Jiangsu Shenghua, and implemented the vote on the subsequent plan on sale of the bankruptcy properties. Nonetheless, the largest creditor was against the plan for sale on conversion, resulted that the meeting did not pass the conversion scheme of the properties. Because the asset appraisal on the real estate and land owned by Shenghua Company has not been completed yet, the meeting of creditors will be held again after the appraisal is completed and a new conversion scheme on sale is created. By the end of 2016, Jiangsu Shenghua bankruptcy liquidation has no results.

(3) Lawsuit of CSSC Guangzhou Longxue Shipbuilding Co., Ltd and CSSC (Guangzhou) International suing Shandong Qingyun

The level three entity CSSC (Guangzhou) International Co., Ltd (hereafter referred to as CSSC (Guangzhou) International, as the original CSSC Guangzhou Longxue Shipbuilding Co., Ltd renamed) and CSSC Guangzhou Longxue Construction Development Co., Ltd (hereafter referred to as Longxue Construction) requested that Shandong Qingyun Heavylifting Machinery Co., Ltd and Shandong Tianjiang Heavy Industry Science and Technology Group Co., Ltd return the payment of goods at RMB 44.4965 million and the related interests (calculated according to the lending rates of the People's Bank of China over the same period, from July 29, 2009 to the date when the judgement went effective) and should also continue to complete the delivery obligations under the project contract of the 9 cranes which were delivered to Longxue Island in Nansha District, Guangzhou in accordance with the promise, as well as assuming the case acceptance fee of RMB 283,696 and the property preservation fee of RMB 5,000. The first instance verdict of Ji'nan Intermediate People's Court completely supports the claims of CSSC (Guangzhou) International. The defendant appealed. However, due to the failure to pay the legal fees, such appeal has been automatically withdrawn. The case is now being enforced by the court. Ji'nan Intermediate People's Court of separately conducted two formal auctions on May 21, 2013 and August 12, 2013 regarding the seventeen crane structural parts and accessories which were valued at RMB 15.96 million which was determined by appraisal. The two auctions were all aborted because no one participated in the auctions to buy. On December 12, 2013, the court sent the decision that the case should be performed by the People's Court of Shanghe County to the attorney agents of CSSC (Guangzhou) International, an action which brought relatively significant inconvenience and resistance to the subsequent performance of the case. After CSSC (Guangzhou) International submitted a written objection and the complaint materials and conducted multiple communications, Ji'nan Intermediate People's Court issued the execution ruling on April 29, 2014, leveling up the implementation of the case to be conducted by the Ji'nan Intermediate Court.

After assigned a new implementation judge, the related staff of CSSC (Guangzhou) International, the attorney agents and the implementation judge went to Tianjiang Company to conduct an investigation on the properties which were to be performed on June 12, 2014. On June 27, 2014, CSSC (Guangzhou) International submitted the second phase written evaluation of land and real estate and the auction application to the implementation judge. On July 29, 2014, the court determined the attestation institute through a lottery system. On January 22, 2015, upon receipt of the evaluation report from the evaluating company, CSSC (Guangzhou) International raised the application to conduct an auction on the land and real estate of Tianjiang Company and Qingyun Company.

On April 7, 2015, Ji'nan Intermediate People's Court delegated Shangdong Jiahe International Auction Co., Ltd and Shangdong Peifeng Auction and Tender Co., Ltd to conduct public auction on the land use rights (including the property on the ground) of the individual and private park located in Yangliu Town, Xintai City under the name of Shandong Qingyun Heavylifting Machinery Co., Ltd and the land use rights (including the property on the ground, equipment and trees) located in Keyuan Road, Economic Development Zone of Shanghe County under the name of Shandong Tianjiang Heavy Industry Science and Technology Group Co., Ltd. Because no one bid, the auctions went unsold. After the failure of the auctions, CSSC (Guangzhou) International immediately applied to the court to let itself accept such aforementioned properties to offset partial debts according to the reserve price determined by the auction. On April 8, 2015, Ji'nan Intermediate People's Court issued the execution ruling, adjudicating that the land use rights and the property on the ground of Shandong Qingyun Heavylifting Machinery Co., Ltd and the land use rights (including the property on the ground, equipment and trees) shall to be delivered CSSC (Guangzhou) International to offset for a portion of the debts for the pricing of RMB 35.105956 million. On June 9, 2015, CSSC (Guangzhou) International received the ruling of the end of this implementation procedure from Ji'nan Intermediate People's Court, indicating that the resumption of execution can be applied for when new property clues are discovered. December 2015 Qingyun case implementation project coordination group on the day of the company's real estate (the court ruled for the company all) to inviting the way in the local spot to deal with cash 98,000 yuan, has been recognized by the CSSC (Guangzhou) International Finance account.

On July 4, 2016, CSSC (Guangzhou) International started the first-phase preparation for the land transaction. On August 1, 2016, the land and property mentioned above, in Shanghe County, has been listed on the Shanghai property rights exchange.

#### (4) Dispute case between Longxue Pipeline Industry and Huayu Company

The final adjudication on the contract dispute case between the level four entity Guangzhou Longxue Pipeline Industry Co., Ltd (hereafter referred to as "Pipeline Industry Company" and Guangzhou Huayu Electrical Machinery and Equipment Co., Ltd (hereafter referred to as "Huayu Compny") was executed on October 13, 2014 by Guangzhou Intermediate People's Court. According to the result of the judgment, Huayu Company needs to pay the processing payment to Longxue Pipeline Industry at RMB 4,953,239.77 and the overdue payment of interest and liquidated damages. Longxue Pipeline Industry needs to pay the processing fee of RMB 300,976.74 to Huayu Company. After the off-set by the two parties, Huayu Company still owes to pay Pipeline Industry Company at RMB 4,652,263.03. At present, Pipeline Industry Company has entrusted a lawyer to actively search the executable properties of Huayu Company.

(5) Warranty litigation of GWS374

The level forth entity Guangzhou Wenchong Shipyard Co., Ltd (hereafter referred to as “Wenchong Shipyard”) received a lawyer's letter to start the arbitration procedure sent by the attorney agent of the shipowner of GWS374. The shipowner raised the arbitration in London, England, regarding warranty issue in the ninth chapter of the contract and the issue of the asbestos which breaches the contract and the specifications, and designated arbitrators respectively. Both the parties conducted the resampling on the ship of GWS374 and respectively sent to different testing agencies to implement the tests. The test results of the asbestos by the two parties are completely opposite to each other. At present, the shipowner also does not have other evidence to supply. There is no progress in the case.

(6) Dispute arbitration case of the delivery of GWS486

On June 17, 2015, the builer, the level forth entity Guangzhou Wenchong Shipyard Co., Ltd (hereafter referred to as “Wenchong Shipyard”), the seller, Fortune Shanghai Shipping Limited (hereafter referred to as “FSSL”) and the buyer, Attalos Container Carrier S. A. signed a memorandum to sell a 1700 container ship (number GWS486). As a result of the controversy over the GWS486 ship delivery, on December 18, 2015, Attalos, the owner of the ship, issued a notice of arbitration on the grounds of not fulfil the delivery requirement to the Wenchong Shipyard and FSSL. On January 4, 2016, the owner, Attalos, also issued a notice to Wenchong Shipyard and FSSL, requesting the cancellation of the contract and refunding the first instalment of \$ 2.6 million and its related interest and expenses.

Wenchong Shipyard hired a lawyer to deal with the arbitration proposed by the owner actively. On January 6, 2016, both Wenchong Shipyard and FSSL issued a notice to terminate the contract to Attalos.

As of December 31, 2016, Attalos, the arbitration applicant, did not advance the arbitration case.

(7) Lawsuit of Jiangxing Real Estate Co., Ltd. suing the People's Government of Changxing town was default on the house purchasing money

In November 2009, the fourth level entity Shanghai Jiangxing Real Estate Co., Ltd. (hereinafter referred to as Jiangxing Real Estate) through the public tender to obtain the construction rights of the second phase of supporting commercial housing construction projects in Chongming County Changxing Town. Because of the plan adjusted, construction standards improved and building insulation materials changed, the costs of construction increased and the project was delayed. In March 2011, The People's Government of Changxing Town, as the actual performing party, replied to Jiangxing Real Estate in form of Mayor's office minutes. The People's Government of Changxing Town would make up the difference to Jiangxing Real Estate in accordance with international and Shanghai administrative regulations. As of January

24, 2014, the People's Government of Changxing Town owed RMB79,714,465.24 to Jiangxing Real Estate. As negotiations failed, in January 2015, Jiangxing Real Estate filed a lawsuit, required the People's Government of Changxing Town to pay the repurchase principal RMB 79,714,465.24, the interest of the progress payment RMB 19,040,515.00, on-site downtime loss RMB4,090,920.00 and overdue payment interest RMB17,123,201.00, which is RMB119,969,101.24 in total. At present, the case is still pending.

(8) Dispute case of dissolution of lease contract between Wuxi Li Yun Accord Restaurant, Xu Lijun and Haiying Enterprise Group

On June 29, 2014, due to the third level entity Haiying Enterprise Group and Zhang Yanbin dissolving the lease contract, sub-tenants (Wuxi Li Yun Accord Restaurant Co., Ltd. and Xu Lijun) removed from the leasing area, which led to huge economic losses. In 2014, Haiying Enterprise Group received a notice from the People's Court of Wuxi Intermediate (Ximin Initial word No. 0064), the first plaintiff Wuxi Liyun Accord Restaurant Co., Ltd. and the second plaintiff Xu Lijun (hereinafter referred to as the plaintiff) requested the first defendant Zhang Yanbin and Haiying Enterprise Group to jointly compensate for their economic losses of RMB 30 million, and bear the costs of the case, of which the property loss is RMB 27.3 million, and the reimbursement is RMB 2.7 million. On December 23, 2014, Haiying Enterprise Group won the first instance. The plaintiff refused to accept the verdict, and appealed to the Higher People's Court of Jiangsu Province on January 6, 2015. The Higher People's Court of Jiangsu Province ruled that the People's Intermediate Court of Wuxi should rejudge this case. By the reporting date, the case is pending and compensation is still uncertain.

(9) Dispute case between Systems Engineeringing Institute and China Railway Construction Group Co., Ltd

In 2012, China Railway Construction Group Co., Ltd sued the level two entity, China State Shipbuilding Corporation Ship Systems Engineeringing Institute (Systems Engineeringing Institute) to the People's Court of Beijing in Haidian district for the settlement of the engineeringing payments of the contract dissension about Yongfeng construction engineeringing project. Because the expenditures increased due to reasons including the earthquake force majeure in the "5.12" of 2008, the suspension due to the Olympic Games, the construction period of the main structure postponed to winter and delay of decoration, etc., China Railway Construction Group asked for the claim of the total payment RMB 78.1457 million including the contract payments RMB 25.9806 million, the additional engineering payments and the project compensation RMB 75.5324 million and the default interests of RMB 2.6133 million. According to the court requirements, Beijing Dong Fang Hua Tai Engineering Consulting Co., Ltd is the third party engineering cost appraisal institute to conduct the authentication on the engineering project. In May 2015, the appraisal institute issued the report to the court. According to the results of authentication, the portion of unpaid contract payment

within the contract is authenticated as RMB 13.5253 million; Two results are submitted regarding the portion outside the contract, one is RMB 271.9 thousand according according to the approval of the contract. The other one is asserted as RMB 9.1244 million with the consideration of the actual situation. During September to October 2015, based on the authentication result, the court hosted the audit entity on the engineering completion cost and the appraisal institute to conduct debates on the relevant issues. After many sessions of trials, currently the case is still ongoing. For the above matters, infrastructure engineering management and legal management departments have been closely tracking the progress of the litigation.

(10) Case of Account frozen of CSSC Industry Trade (Jiujiang) Company

By December 31, 2016, the third level entity CSSC Industry Trade (Jiujiang) Company (hereinafter referred to as the Industrial Trade Jiujiang Company) needs to disclose the provisions of RMB 4,000,000.00.

On May 6, 2014, Industrial Trade Jiujiang Company as Party B and Wuhan Steel Materials Trade Co., Ltd. (hereinafter referred to as "Party A"), The Bank of East Asia (China) Co., Ltd. Wuhan Branch (hereinafter referred to as "Party C ") Signed a three-party agreement of the pledge of accounts receivable, which was notarised by the Yangtze River Notary Office, Wuhan City, Hubei Province (E Changjiang Nei Zheng Zi No. 2742). The agreement is agreed that Party A borrows from Party C with the accounts receivable of RMB 10 million from Party B as the pledge (RMB loans: TL1300023N). Party B should transfer to the account which is recognized by Party A and the Company and supervised by Party C. In fact, Party B had already paid RMB10.2 million to Party A on 6 March 2014. On May 6, 2014, Party A and Party B did not have debtor-creditor relationship. In November 2014, Party A had difficulty in repaying the borrowing, and Party C applied for property preservation to the court, resulting in the two bank accounts of Party B were frozen and the frozen amount was RMB 699,142.00. Party B recognised provisions of RMB 4,000,000.00 in 2015 and by the reporting date, the case is still pending.

(11) Dispute case of communication equipment procurement of CSSC Complete Logistics( Guangzhou) Co., Ltd

CSSC Complete Logistics (Guangzhou) Co., Ltd (hereafter referred to as "Logistics Guangzhou") signed two sales contracts of communication equipment with Best Tone Information Service Co., Ltd (hereafter referred to as "Best Tone Company") on June 26, 2015 and July 10, 2015 respectively, with the contract consideration of RMB 15.0681 million and RMB 14.151 million respectively. Until the due date of the sales contracts, Best Tone Company did not pay according to the contracts. Logistics Guangzhou has totally paid RMB 27.7581 million to the upstream party. Logistics Guangzhou has filed a lawsuit to the Court of Hongkou District, Shanghai. The Hongkou District Court has taken protective measures such as seizure of

accounts, etc. On June 14, 2016 the Court of Hongkou District, Shanghai transferred the case to the Shanghai Economic Investigation Corps, and property preservation remains unchanged

(12) Dispute case of coils of stainless steel plate of Logistics Guangzhou

Logistics Guangzhou respectively signed the contract of procurement and sales of coils of stainless steel plate with Wuxi Steel and Metal Materials Co., Ltd (hereafter referred to as “Wuxi Ganghe”) and Shanghai Yingye Metal Materials Co., Ltd (hereafter referred to as “Shanghai Yingye”). The amount of the procurement contract was RMB 14.83 million and the amount of the sales contract was RMB 15.08 million. Logistics Guangzhou signed the procurement contract of coils of stainless steel plate with Wuxi Xin-hui-xing Stainless Steel Co., Ltd (hereafter referred to as “Wuxi Xin-hui-xing”), and respectively signed the sales contract of coils of stainless steel plate with Taiyuan Longhe Pipeline Industry Co., Ltd (hereafter referred to as “Taiyuan Longhe”) and Wuxi Chuang Long Metal Materials Co., Ltd (hereafter referred to as “Wuxi Chuanglong”). Wherein, as with Wuxi Xin-hui-xing and Taiyuan Longhe, the amount of the procurement contract was RMB 9.47 million and the amount of the sales contract was RMB 9.66 million. As with Wuxi Xin-hui-xing and Wuxi Chuanglong, the amount of the procurement contract was RMB 9.78 million and the amount of the sales contract was RMB 9.95 million. As for the aforementioned trade, Logistics Guangzhou has made the payment of goods to the upstream party at the full amount. When the contracts are due, the downstream party did not make the payment and take delivery of goods. Logistics Guangzhou accordingly sent “Notice of the rescission of the contract, the confiscation of deposit, and the self disposal of the goods” to the downstream parties. When self-desposing the goods, Logistics Guangzhou found that the goods delivered by the upstream parties, namely Wuxi Ganghe and Wuxi Xing-hui-xing were with the existence of impurities, a situation involving the suspected contract fraud. Logistics Guangzhou went to Yangpu District Economic Investigation Detachment to report the case on July 17, 2015. Later on, with the information supplemented, the Economic Investigation Detachment has filed a case on August 27. In 2016, the investigation of coils of stainless steel plate by Yangpu District Economic Investigation Detachment has ended.

(13) Dispute case between CSSC Complete Logistics (Guangzhou) and Shanghai Shangyou

On December 8 and 10, 2014, CSSC Complete Logistics (Guangzhou) signed purchase contract and sales contract with China Building Materials Company and Shanghai Shangyou Industrial Group Co., Ltd. (Shanghai Shangyou). The purchase contract was RMB 26.3 million, and the sales contract was RMB 26.5683 million. The contract of sales prescribed that after signing the contract, Shanghai Shangyou should pay 15% of the total contract price to the Guangzhou company firstly as a performance bond, the balance should be paid within 90 days after the signing of the contract. After signing the contract, Shanghai Shangyou paid the performance bond of RMB 398 million and another RMB 9 million, and endorsed the



commercial bill of RMB 10 million endorsed by the China Construction Bureau 6 Civil Engineering Co., Ltd. (hereinafter referred to as the Bureau 6) to Guangzhou company. In addition, the outsider Xie Qiaoyuan and Lin Shangxiong provided guaranty for Shanghai Shangyou with two shops (with the valuation of about RMB 6.5 million), meanwhile completed the mortgage registration. These two bills were endorsed by Shanghai Shangyou, who was endorsed by Liaoning Black Metal Materials Co., Ltd. (hereinafter referred to as Liaoning Metal), which gained the bills from Bureau 6 by endorsement. These two bills expired on April 8, 2016. In early April, the Guangzhou company was refused by the above mentioned acceptors. Guangzhou company has filed a lawsuit to the People's Court of Chongming County, Shanghai suing Bureau 6, Liaoning Metal and Shanghai Shangyou for refusing payment.

(14) Lawsuit of CSSC Complete Logistics suing Dalian Xinkai and Dalian Deere

On April 9, May 13, June 1, 2015, CSSC Complete Logistics signed three groups of "purchase contract" and "sales contract" with upstream suppliers, Dalian Xinkai Digital Co., Ltd. (hereinafter referred to Dalian Xinkai), and downstream customers, Dalian Deere Digital Co., Ltd. (hereinafter referred to as Dalian Deere ), with the total purchase price of RMB 28.485 million and the total sales price of RMB 28.513 million. According to the "purchase contract", and "sales contract", after the signing of the contract, Dalian Deere should pay 30% of the contract, RMB 8,607,700, as the deposit, to CSSC Complete Logistics, and pay the remaining amount and pick up the goods within 90 days as agreed; CSSC Complete Logistics should pay when it received and accepted the goods. Until July 16, August 20, September 12, 2015, Dalian Deere did not pay, neither picked up the goods. CSSC Complete Logistics pressed for it unsuccessfully, then self-disposed fax machines through the tender auction way to recover total amount of RMB11.8352 million. CSSC Complete Logistics filed a lawsuit to the Yangpu court suing Dalian Xinkai and Dalian Deere, as a common defendant, to compensate principal RMB 7.8706 million, agency fees RMB9.3688 million, storage fees and other legal fees RMB 0.8285 million, which was filed on August 20, 2016. Yangpu court hold the trial on September 8, November 3, 2016, and issued the litigation materials by the way of announcement because the defendant Dalian Xinkai, Dalian Deere ,Guan Yun Branch were not present, and the trial judge communicated with the lawyer of Dalian Xinkai's reorganisation party unsuccessfully, neither could it reach Guan Yunke. Yangpu court hold a trial on December 1, 2016, with the only attendant, the agent of Dalian Deere, they did the initial cross examination debate about the evidence materials. After the trial on February 6, 2017, CSSC Complete Logistics will submit the written trial materials to the judge according to the requirements of the trial judge, and further explain the contents and rationality of the agency fees, the handling of the tender and so on.



## (15) Dispute case between CSSC Complete Logistics and Wuxi Guomao

On November 24 and December 22, 2014, CSSC Complete Logistics and Wuxi Guomao signed "domestic materials purchase and sales contract", with the contract prices RMB 40.513million and RMB 34.642875 million. Wuxi Guomao did not perform on the contract. With several negotiation, Wuxi Guomao issued a "repayment commitment" in September 2015 and promised to pay RMB 0.325 million per month from October 2015 to September 2018. Meanwhile, Wuxi Guomao provided three coiling flatenning product lines and the supporting parts as collateral, and completed the real estate equipment mortgage registration at the Wuxi City Market Authority on September 29, 2015. Since October 2015, Wuxi Guomao did not pay in accordance with the "repayment commitment". In April 2016, CSSC Complete Logistics entrust the asset appraisal agency to evaluate the mortgaged equipment, and the assessed value was RMB 4.047872 million. On June 23, 2016, CSSC Complete Logistics filed a lawsuit to the People's Court of Shanghai Yangpu District, requested Wuxi Guomao to pay the amount of RMB 12.8554 million, while applied for property preservation of the mortgaged property. On July 22, the judge of Yangpu Court went to Wuxi to implement property preservation measures, sealed up three coiling flattening product lines and the supporting parts and froze its bank accounts. The case was scheduled to be heard on August 11, 2016 and the parties can reconcile of their own accord before the hearing. During the case-hearing on August 17, 2016, the judge questioned the two parties according to the evidence materials provided, including the implementation deadline, delivery time, bill of loading, and price settlement, and asked the two parties to provide further evidence materials after the trial. During the case-hearing on October 13 and October 28, 2016, the judge questioned the two parties according to the evidence materials supplemented by CSSC Complete Logistics on September 8, 2016. During the case-hearing, CSSC Complete Logistics submitted contract materials (including contracts, invoices, payment details and part of the delivery documents) of the top ten projects with Wuxi Guomao and financial documents of RMB 10.8 million deposit. Due to Wuxi Guomao dissented with the financial recordings between CSSC Complete Logistics and itself, the presiding judge proposed them to hire the third parties to audit their financial statements in order to save the judicial resources , as the financial data was huge and complex. On December 7, 2016, CSSC Complete Logistics dropped the case as suggested, and hired an intermediary agency for judicial audit.

## (16) Dispute case of aromatic hydrocarbon procurement of Logistics Guangzhou

The level three entity CSSC Industrial Complete Logistics (Guangzhou) Co., Ltd (hereafter referred to as "Guangzhou Company") and Dongguan Jinming Trade and Business Development Co., Ltd (hereafter referred to as "Jinming Oil Depot") and Guangdong Guangwu Investment and Development Co., Ltd (hereafter referred to as "Guangwu Investment") signed "Tripartite agreement of the goods storage", with the contract amount approximately of RMB 264.5133 million, agreeing to purchase 34,055 tons of aromatic hydrocarbons from Guangwu

Investment and store in Jinming oil depot. Later on, because Jinming Oil Depot refused to take delivery of the goods, the Guangzhou Company filed a lawsuit to Guangzhou Maritime Court, suing Jinming Oil Depot and applied for property preservation. According to (2014) Guanghai Fa Chuzei No. 938-9 civil ruling, (2014) Guanghai Fa Baozi No. 66-8 civil ruling, and (2014) Guanghai Fa Baozi No. 66-9 civil ruling made by the Guangzhou Maritime Court, the 24866 tons of aromatic hydrocarbon, 2 sites of lands and 78 oil tanks of Jinming Oil Depot were sealed up. On December 03, 2015, the court made the first-instance verdict that ordered the Jinming Oil Depot to deliver 34055.132 tons of mixed aromatic hydrocarbons to the Guangzhou Company, otherwise, compensate for losses. The verdict is to support the right to pick up the goods but not support the ownership of the goods of Guangzhou Company. Both Guangzhou Company and Jinming Oil Depot refused to accept the verdict of the first trial and filed the lawsuit to the Dongguan Intermediate People's Court. On November 25, 2016, Dongguan Intermediate People's Court made the ruling to maintain the verdict. Guangzhou Company applied for retrial to the Guangdong Provincial High Court. Meanwhile, Guangzhou Company sued Yongan, Jinming Oil, the related parties of Jinming Oil Depot, and other guarantors Han Yueming, Chen Yunjiao, Fengrui Group and Fenghai Shipping. On November 23, 2016, Guangzhou Maritime Court settled this case.

(17) Dispute case between Logistics Guangzhou and Shanghai Shangyou

Logistics Guangzhou and Shanghai Shangyou Industrial Group Co., Ltd (hereafter referred to as "Shanghai Shangyou") signed "Long-term buying and selling cooperation agreement", agreeing that the two parties carry out long-term trade on goods such as steel billets. Later on, Shanghai Wenjin Industrial Co., Ltd assumed the mortgage guarantee responsibility for the entire debts of Shanghai Shangyou under such buying and selling cooperation agreement by means of the house property (with the valuation of the house property of RMB 41 million) under the name of Shanghai Wenjin Industrial Co., Ltd and completed the mortgage registration. Later on, Logistics Guangzhou and Shanghai Shangyou signed the contracts as the batches of contracts under the "Long-term buying and selling cooperation agreement", agreeing that Logistics Guangzhou shall sell 12000 tons of steel billets to Shanghai Shangyou, with the total amount of the contract at RMB 31.34592million. Shanghai Shangyou paid the 15% performance security. Logistics Guangzhou made the full payment of goods to the upstream party, China Building Materials Import and Export Shanghai Company, and completed the delivery obligation to Shanghai Shangyou under the contract. Shanghai Shangyou issued the "Receipt confirmation letter". After dunned repeatedly, Shanghai Shangyou did not pay the remaining 85% balance payment. On March 4, 2015, Guangzhou company and Shanghai Shangyou signed a "Supplemental Agreement", agreed that Shanghai Shangyou pay the contract balance RMB 27.5145 million (including overdue funds Occupancy fee) before the March 27, 2015. However, the company repeatedly reminded, Shanghai Shangyou failed to pay the above payment. In November 2015, Guangzhou Logistics filed the lawsuit to the Guangzhou Huangpu District

People's Court in order to request Shanghai Shangyou and Shanghai Wenjin Industrial Co., Ltd. (referred to as Shanghai Wenjin, the guarantor of Shanghai Shangyou in the contract) to pay the purchase price, liquidated damages and attorney fees. On December 22, 2016, Huangpu Court announced the first-instance verdict, supporting Guangzhou Logistics's all claims. According to the attorney, Wenjin has appealed. On December 10, 2014, Guangzhou Logistics signed sales contract with Shanghai Shangyou to sell 10000 tons of steel billets at RMB 26.5683 million. Shanghai Shangyou paid RMB 13.27 million, and owed RMB 13.03 million. To pay the remaining RMB 13.03 million, Shanghai Shangyou endorsed the commercial bill of RMB 10 million (drawer: China Construction Bureau 6 Civil Engineering Co., Ltd. (hereinafter referred to as the Bureau 6), the recipient: Liaoning Black Metal Materials Co., Ltd. (hereinafter referred to as Liaoning Metal)) and the outsider Xie Qiaoyuan and Lin Shangxiong provided guaranty for Shanghai Shangyou with two shops (with the valuation of about RMB 6.5 million). As these two bills were dishonoured, Guangzhou Logistics has filed a lawsuit to the People's Court of Chongming County, Shanghai suing Bureau 6, Liaoning Metal and Shanghai Shangyou for refusing payment. On August 8, 2016 and January 10, 2017 Shanghai Chongming Court conducted two hearings on the case. The attorney of Guangzhou Logistics received the first-instance verdict, on February 3, 2017. The court support Guangzhou Logistics's all litigation request and adjudicated that Bureau 6 and Shanghai Shangyou and other companies to clear the RMB10 million bills and pay the corresponding interests, as well as litigation fees. Bureau 6 has appealed.

(18) Dispute case of steel billet procurement of Runde Company

The level four entity Jiangyin Runde Material Co., Ltd (hereafter referred to as "Runde Company") signed a steel billet purchase contract with Wuhu Xinxing Ductile Iron Pipes Co. Ltd (hereafter referred to as "Wuhu Xinxing"), with the contract amount of RMB 45.6 million, and paid the full amount to Wuhu Xinxing. During the execution process of the contract, Wuhu Xinxing delivered the goods total of RMB 14.4 million. After the court, as requested by Runde Company, the court seized the bank accounts of Wuhu Xinxing at the amount of RMB 41 million. First-instance verdict rejected Runde Company's appeal, leading to that Runde Company appealed to the Anhui Provincial High Court. Due to entering into the litigation phase, there is the risk of recovery, so impairment provision was accrued at 30% of the ending balance, RMB13.68 million.

(19) Dispute case of China Shipbuilding ,Guiyang suing Huizhou County Frontier Defence delayed payment

On February 19, 1993, the three level entity CSSC Guijiang Shipbuilding Co., Ltd. (hereinafter referred to as the ship Guijiang shipbuilding) and the Armed Police Corps of Huizhou County Frontier Defence (hereinafter referred to as Huizhou County Frontier Defence) signed the "130-ton border patrol boat construction contract (contract number: 930219H) ". It agreed the delivery time of the construction of the patrol boat, cost, payment and other rights and obligations and other matters. On March 15 of the same year, the two sides signed a supplementary agreement on the issue. On 9 August 1994, the patrol boat was delivered. In view of the delayed payment by Huizhou County Frontier Defence, the ship Guijiang shipbuilding filed a lawsuit on July 20, 2016 to request the payment of the construction and interest, RMB 11,500,395.74 in total (including: RMB 3,353,959.50 for ship construction). As of the date of this financial report, the case is pending.

(20) Dispute case of the third tenders of straight road and wharf frontier berthing area dredging project

On January 15, 2013, the second level entity Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd (hereinafter referred to as Nansha Longxue) received the summons from Guangzhou Maritime Court. Guangzhou Zhengda Fangyuan Co., Ltd (the plaintiff) sued CNFC Guangzhou Harbour Engineering Company (the first defendant), the Ninth Design and Research Institute of China Shipbuilding Engineering Co., Ltd (the second defendant) and Nansha Longxue (the third defendant) for Huangchuan project transfer area (straight channel) in Nansha Longxue shipbuilding base and the third tenders of straight road and wharf frontier berthing area dredging project. The defendant mainly requested the first defendant to pay the remaining amount and overdue payment interest, in total of RMB37,615,672.47; the second defendant and the third defendant bore joint liability within the scope of project price owed to the first defendant and the second defendant ; Three defendants bore the costs of litigation in this case. After many communications and negotiations, each party have agreed and signed the agreement on the undisputed part. Nansha Longxue received the civil conciliation statement issued by Guangzhou Maritime Court on January 2, 2014 and received the Civil Judgment (2013) Guanghai Fa Chu Zi No. 98 of Guangzhou Maritime Court on December 26, 2014, with the verdict followed. First, the first defendant should pay RMB11,323,739.20 and its interest (from September 11, 2010 to the date of settlement, calculated according to the benchmarking loan interest for the same period accounted by the People's Bank of China) to the plaintiff. Second, the first defendant ought to pay the interest of the project price RMB 7,344,996.04 (from September 11, 2010 to April 20, 2014 calculated according to the benchmarking loan interest for the same period accounted by the People's Bank of China) to plaintiff. Third, dismissed the other claims requested by plaintiff. On January

23, 2015, Nansha Longxue received the "civil verdict" from Guangzhou Maritime Court, which dismissed the plaintiff's request that Nansha Longxue should bear joint liability in the range of overdue payment owed to the first defendant. On February 8, 2015, Nansha Longxue considered that there were errors in the civil verdict in the "disputed part of the project price" and "project interest" and submitted the lawsuit to the Guangdong Provincial High Court to appeal. As the plaintiff and the defendant parties all appealed, the Guangdong Provincial High Court has held a number of trials on the port dredging contract dispute case and it is still in the process.

In the case of dredging contract dispute, the plaintiff brought a lawsuit to Nansha District Court with other reasons (dredging material handling and handling costs) of the same contract, the same evidence. On April 28, 2015, as the first defendant applied, Nansha District Court suspended the appeal considered that the case was held in the Guangdong Provincial Higher People's Court, and must be based on (2013) Guanghai Fa Chu Zi No. 98 trial results, which was not closed.

Guangdong Provincial Higher People's Court on August 2016 made the second-instance verdict, (2015) Yue Gao Fa Min Si Zhong Zi No. 76: ①, abolished the Guangzhou Maritime Court (2013) Guanghai Fa Chu Zi No. 98; ②, rejected the appeal request of the plaintiff; The court costs of first and second instance should be paid by the plaintiff.

The plaintiff of the port dredging contract dispute case filed the lawsuit to the Guangzhou Nansha District People's Court suing the original defendants on the grounds of "commission contract disputes", which was based on the same project and the same contract relationships. In August 2016, Nansha Longxue received the Civil Decision of Nansha District People's Court (2014) Sui Nan Fa Min San Chu Zi No. 988-2, ruling that the plaintiff can withdraw the prosecution and bore the court costs. By December 31, 2016, the case is closed.

(III) By December 31, 2016, the situation of the contingent liabilities formed from other matters of the Group are as following

(1) By December 31, 2016, according to the contract, the second level entity Trading Company postponed the Egyptian shipyard renovation project, recognised the possible fine of 64.6325 million.

(2) In January 1999, the second-level entity Shanghai Company invested into Shanghai Shipping Enterprise Development Co., Ltd. with 10th floor and 14-16 floor of Ship Mansion, with the amount of RMB 38 million, and held 95% shareholdings. on March 18, 1999, Shanghai Ship Enterprise Development Co., Ltd. obtained real estate warrants (Hu Fangdi Yang Zi 1999 No. 05389) After the establishment of China State Shipbuilding Corporation, Shanghai Company will continue to serve as a regional company without the need to set up Shanghai Shipbuilding Enterprise Development Co., Ltd. in accordance with the requirements of

organization and work deployment. In April 2000, Shanghai Company filed an application for change of property rights, and Shanghai Ship Enterprise Development Co., Ltd. changed the rights of the above-mentioned four-storey floor into Shanghai Company, with Hu Fangdi Yang Zi 2000 No. 065964 real estate warrants. As the process of property rights change about four-storey floor is real property transactions, they need to pay the relevant taxes and fees arising from the transaction. Shanghai Shipping Enterprise Development Co., Ltd. has written-off the business license and tax license in August 2000. There is an objection to the taxes and fees required by the in charge of the tax department. In view of the matter is not completed, Shanghai Company has recognised the expenditure, in total of RMB11.7470 Million (including land value-added tax of RMB 2.7836 million, corporate income tax of RMB 4.1755 million, business tax of RMB 3117,700 and deed tax of RMB 1.672 million).

(IV) By December 31, 2016, the Group does not have any situation of contingent assets.

(V) Except for the existence of the aforementioned contingent matters, by December 31, 2016, the Group does not have any other significant contingencies.

## X、Commitment matters

### 1. Significant commitment matters

#### (1) Pledge of assets

By the end of the year, except for the fixed deposits, inventories, and fixed assets, etc. used for pledge, the Group does not have other assets pledged.

#### (2) Other significant financial commitments

1) By the end of the year, the details of forward foreign exchange contracts which the Company has signed, but such contracts have not been delivered.

Including: By the end of the year, the transactional amount of the forward foreign exchange contracts which the subordinate subsidiaries of the Group have signed but not yet delivered is USD 1,115,640,000.00, EURO 9,234,000.00 and JPY 257,607,200.00.

Item	Currency	Amount	Settlement amount
Forward settlement of exchange due in 2017	USD	635,640,000.00	RMB 4,127,591,904.00
Forward settlement of exchange due in 2018	USD	400,000,000.00	RMB 2,597,440,000.00
Forward settlement of exchange due in 2019	USD	80,000,000.00	RMB 519,488,000.00
Forward settlement of exchange due in 2017	EUR	7,387,200.00	RMB 53,976,792.96
Forward settlement of exchange due in 2018	EUR	1,846,800.00	RMB 13,494,198.24

Forward settlement of exchange due in 2017	JPY	257,607,200.00	RMB 15,350,813.048
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2) By the end of this year, the interest rate swap business which the the subordinate subsidiaries of the Group have signed but not yet delivered is at the amount of USD 10,000,000.00. Including:

No.	Currency	Principal (USD)	Interest period	Annual interest rate paid by bank	Annual interest rate paid by company
1	USD	10,000,000.00	2015-3-23 to 2017-12-15	0.613	1.800
	<b>Total</b>	<b>10,000,000.00</b>			

## 2.Details of performance on the commitments of prior periods

For the financial commitments such as the repayment of pledged loans and the forward contracts, the Group can execute all the commitments in accordance with the contracts.

3.Except for the aforementioned commitment matters, by the end of the year, the Group does not have other significant commitment matters.

## XI、 Subsequent events after the balance sheet date

### 1、 Profit distribution plan of CSSC Marine Engineering

According to the resolutions of the board of directors on March 31, 2017 of CSSC Marine Engineering, the Company plans to take the total share capital on December 31, 2016 of 1,413,506,378 shares as the base, to distribute the cash dividend at RMB 0.16 (including tax) for every 10 shares to all shareholders.The total distributed amount is RMB 22,616,102.05(including tax). The remaining undistributed profits carry over to the next year.Such profit distribution plan shall be subject to the approval of the general meeting of shareholders of the Company.

### 2、 Profit distribution plan of CSSC

According to the resolutions of the board of directors on April 27, 2017 of CSSC, the company is estimated to hand over state-owned capital gains of RMB 219.77.58 million in 2016 which should be approved by SASAC.

3、 In addition to the aforementioned subsequent events after the balance sheet date, the Group does not have any other significant subsequent events after the balance sheet date.

## XII、 Related party relationship and the transactions of related parties

### (I) Related party relationship



## 1. Subsidiary enterprises

Details about the subsidiary enterprises can be found in the related information disclosed in the Notes VII/ (I) The basic information of the level two subsidiaries which are included in the scope of consolidated financial statements.

## 2. Joint venture enterprises and associated enterprises

Details about the information related to joint venture enterprises and the associated enterprises of the Group can be found in the related information disclosed in the Notes VIII/ (XV) Long-term equity investments.

## 3. Other related parties

Type of related relationship	Name of related party	Major transaction content
Subsidiary of joint venture enterprises	Shanghai Lingxiang Equity Investment Co., Ltd	Buy shares of equity rights of Guangzhou Shipyard Shipbuilding

## (II) Related party transactions

## 1. Purchase of goods

Unit: RMB 0,000

Type of related party and name of related party	This year		Last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Joint venture enterprises and associated enterprises				
Including: Shanghai Huchuan New Business Development Co., Ltd	4,377.65	0.02		
Shanghai Huarun East Ship Engineering Co., Ltd	2,431.89	0.01		
Shanghai Deruisi Huahai Ship Equipment Co., Ltd	1,641.66	0.01	4,388.96	0.02
Shanghai Donghua Education Investment Management Co., Ltd	1,764.17	0.01		
Jiangyin Hualxin Corrosion Control Co., Ltd	327.40	0.00	1,552.23	0.01
<b>Total</b>	<b>10,542.77</b>	<b>0.06</b>	<b>5,941.19</b>	<b>0.03</b>

Note: The pricing policies and determining process related to the purchase of goods by companies: are determined by negotiations with reference to market prices.

## 2. Acceptance of labor services

Type of related party and name of related party	This year		Last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Joint venture enterprises and associated enterprises				
Including: Shanghai Jiuxin Investment & Development Co., Ltd	19,379.05	0.11	5,234.86	0.03



Type of related party and name of related party	This year		Last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Jiangyin Hualxin Corrosion Control Co., Ltd	10,322.31	0.06	10,536.32	0.06
Shanghai Dongzhou Labor Service Co., Ltd	192.59	0.00	229.46	0.00
Shanghai Deruisi Huahai Ship Equipment Co., Ltd	64.15	0.00	103.74	0.00
Shanghai Hujiang Diesel Engine Emission Test Technology Co., Ltd			495.09	0.00
<b>Total</b>	<b>29,958.10</b>	<b>0.16</b>	<b>16,599.47</b>	<b>0.09</b>

## 3. Sales of goods

Type of related party and name of related party	This year		Last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Joint venture enterprises and associated enterprises				
Including : Shanghai Deruisi Huahai Ship Equipment Co., Ltd	5,004.58	2.49	7,684.32	2.55
Shanghai Huarun East Ship Engineering Co., Ltd	3,681.35	1.83		
Jiangyin Hualxin Corrosion Control Co., Ltd			427.94	0.14
<b>Total</b>	<b>8,685.93</b>	<b>4.32</b>	<b>8,112.26</b>	<b>2.69</b>

Note: The pricing policies and determining process related to the sales of goods by companies: are determined by negotiations with reference to market prices.

## 4. Details of related parties as a lessee

Name of lessor	Name of lessee	Situation of leased assets	Starting date of lease	Lease termination date	Rental fee	Determination basis of rental income	Impact of rental income on the company
Guangzhou Shipyard International Co., Ltd	CSSC Marine Engineering	Land , Houses and buildings	2014-12-31	2017-12-31	1,120.00	Contract price	Form cost

## 5. Funds lending and borrowing between related parties

Name of related party	Amount of lending or borrowing	Starting date	Expiration date	Notes
Shanghai Jiuxin Investment & Development Co., Ltd	5,000.00	2013-12-3	2016-1-11	

## (III) Balances of current accounts due to/ from related parties

## 1. Notes receivable from related parties

Unit: RMB 0,000

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Including : Shanghai Huarun East Ship Engineering Co., Ltd	135.23	
<b>Total</b>	<b>135.23</b>	

## 2.Accounts receivable from related parties

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Including : Shanghai Deruisi Huahai Ship Equipment Co., Ltd	3,758.75	2,270.44
Shanghai Huarun East Ship Engineering Co., Ltd	638.11	1,091.03
Shanghai Huchuan New Business Development Co., Ltd	1.69	419.24
Shanghai Green Valley Hudong Hospital Management Co., Ltd	0.84	
Jiangyin Hualxin Corrosion Control Co., Ltd		123.87
Shanghai Donghua Education Investment Management Co., Ltd		117.10
Shanghai Jiuxin Investment & Development Co., Ltd		146.99
Less: Bad debts provision		
<b>Total</b>	<b>4,399.39</b>	<b>4,168.67</b>

## 3.Other receivable from related parties

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Including:Shanghai Jiuxin Investment & Development Co., Ltd	106.60	106.60
Shanghai Huarun East Ship Engineering Co., Ltd	40.00	40.00
Raoping Haihuang Food Co., Ltd	5.40	5.40
Shanghai Lingxiang Equity Investment Co., Ltd		59,368.98
Guangzhou Shipyard Shipbuilding Co., Ltd		970.00
Shanghai Deruisi Huahai Ship Equipment Co., Ltd		142.22
Shanghai Huchuan Yokomori Steel Structure Co., Ltd		24.67
Jiangyin Hualxin Corrosion Control Co., Ltd		10.73
TTS-SCM Marine and Offshore Machinery Co., Ltd		2.51
Less: Bad debts provision		301.69
<b>Total</b>	<b>152.00</b>	<b>60,262.82</b>

## 4. Prepayments from related parties

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Including: Shanghai Deruisi Huahai Ship Equipment Co., Ltd	1,048.00	1,408.12
TTS-SCM Marine and Offshore Machinery Co., Ltd		2,671.20
Less: Bad debts provision		
<b>Total</b>	<b>1,048.00</b>	<b>4,079.32</b>

## 5. Other current assets from related parties

Related party (Item)	Ending balance		Beginning balance	
	Book balance	Bad debts provision	Book balance	Bad debts provision
Joint venture enterprises and associated enterprises				
Including: Shanghai Jiuxin Investment & Development Co., Ltd			400.00	
<b>Total</b>			<b>400.00</b>	

## 6. Long-term receivables from related parties

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Shanghai Qianshou Properties Co., Ltd	3,174.25	3,174.25
Less: Bad debts provision		
<b>Total</b>	<b>3,174.25</b>	<b>3,174.25</b>

## 7. Notes payable from related parties

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Shanghai Deruisi Huahai Ship Equipment Co., Ltd	723.51	1,108.00
<b>Total</b>	<b>723.51</b>	<b>1,108.00</b>

## 8. Accounts payable from related parties

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Including: Jiangyin Hualxin Corrosion Control Co., Ltd	1,882.96	539.16
Shanghai Donghua Education Investment Management Co., Ltd	77.13	301.57

Related party (Item)	Ending balance	Beginning balance
Jiangsu Deruisi Huahai Ship Equipment Co., Ltd	70.83	488.15
Shanghai Donghua Economic Development Co., Ltd	69.78	33.99
Shanghai Huchuan New Business Development Co., Ltd		5,754.32
Shanghai Deruisi Huahai Ship Equipment Co., Ltd		1,614.96
Guangzhou Shipyard Shipbuilding Co., Ltd		1,120.00
Shanghai Hujiang Diesel Engine Emission Test Technology Co., Ltd		156.64
Shanghai Deruisi Huahai Ship Equipment Co., Ltd		2.47
<b>Total</b>	<b>2,100.70</b>	<b>10,011.26</b>

## 9. Other payables from related parties

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Including: Shanghai Huchuan Marine Engineering Industry Co., Ltd	1,150.00	1,000.00
Shanghai Dongxuan Science and Technology Development Co., Ltd	561.08	63.52
Shanghai Donghua Economic Development Co., Ltd	50.63	50.00
Shanghai Huchuan New Business Development Co., Ltd	33.96	56.05
CSSC (Guangzhou) Deruisi Ship Equipment Co., Ltd	9.55	9.55
Jiangyin Hualxin Corrosion Control Co., Ltd	0.77	
<b>Total</b>	<b>1,805.99</b>	<b>1,179.12</b>

## 10. Advances from customers from related parties

Related party (Item)	Ending balance	Beginning balance
Joint venture enterprises and associated enterprises		
Including : Shanghai Deruisi Huahai Ship Equipment Co., Ltd	995.43	1,169.62
Guangzhou Shipyard International Co., Ltd		1.80
<b>Total</b>	<b>995.43</b>	<b>1,171.42</b>

### XIII、Notes to major items of the financial statements of the parent Company

#### (I) Notes to main items of the financial statements

## 1. Other receivable

Classification	Ending balance				Beginning balance			
	Book balance		Bad debts provision		Book balance		Bad debts provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and are provided for bad debts on individual basis								
Other receivables that are provided for bad debt provision on portfolio basis of credit risk characteristics	5,753,289,434.30	100.00	3,799,712.80	0.06	4,996,204,742.26	100.00	3,799,712.80	0.08
Other receivables that are individually insignificant but are individually provided for bad debts								
<b>Total</b>	<b>5,753,289,434.30</b>	<b>—</b>	<b>3,799,712.80</b>	<b>—</b>	<b>4,996,204,742.26</b>	<b>—</b>	<b>3,799,712.80</b>	<b>—</b>

(1) Other receivables that are accrued for bad debt provision by credit risk characteristics

## 1) Other receivable from related parties

Name of entity	Book balance	Bad debts provision	Proportion (%)	Reason of accrual/not accrual
Jiangnan Shipyard (Group) Co., Ltd	1,694,966,719.05			Subsidiary, can be recovered
Guangzhou Shipyard International Co., Ltd	831,400,000.00			Subsidiary, can be recovered
CSSC Huangpu Wenchong Shipbuilding Co., Ltd	609,450,000.00			Subsidiary, can be recovered
Line 4	570,000,000.00			Subsidiary, can be recovered
Hudong	537,900,000.00			Subsidiary, can be recovered
CSSC Offshore and marine engineering	274,800,000.00			Subsidiary, can be recovered
CSSC Industry Systems Engineering Research Institute	200,290,000.00			Subsidiary, can be recovered
Hualian	167,019,250.63			Subsidiary, can be recovered
China machine	88,000,000.00			Subsidiary, can be recovered
Shanghai Waigaoqiao Shipbuilding Co., Ltd	76,000,000.00			Subsidiary, can be recovered
Power company	72,500,000.00			Subsidiary, can be recovered

<b>Name of entity</b>	<b>Book balance</b>	<b>Bad debts provision</b>	<b>Proportion (%)</b>	<b>Reason of accrual/not accrual</b>
Haiying Enterprise Group Co., Ltd	72,000,000.00			Subsidiary, can be recovered
Shanghai Heavy Industry Co., Ltd	60,230,000.00			Subsidiary, can be recovered
Electronic	49,300,000.00			Subsidiary, can be recovered
Steel works	39,947,800.00			Subsidiary, can be recovered
CSSC (Anqing) Diesel Engine Co., Ltd	39,300,000.00			Subsidiary, can be recovered
trading company	37,718,090.15			Subsidiary, can be recovered
Jiujiang Precision Testing Technology Research Institute	34,000,000.00			Subsidiary, can be recovered
CSSC Ninth Design and Research Institute Engineering Co., Ltd	24,290,000.00			Subsidiary, can be recovered
Beijing Leiyang Electronic Technology Development Co., Ltd	23,300,000.00			Subsidiary, can be recovered
CSSC (Jiujiang) fire Equipment Co., Ltd	22,000,000.00			Subsidiary, can be recovered
Oasis	17,300,000.00			Subsidiary, can be recovered
Shanghai company	15,153,330.21			Subsidiary, can be recovered
Jiujiang Haitian Equipment Manufacturing Co., Ltd	12,900,000.00			Subsidiary, can be recovered
Guangzhou Wenchong Shipbuilding Co., Ltd	10,000,000.00			Subsidiary, can be recovered
CSSC (Jiangxi) Navigation Instrument Co., Ltd.	9,600,000.00			Subsidiary, can be recovered
Cadre bureau	8,058,455.29			Subsidiary, can be recovered
Jiujiang company	6,300,000.00			Subsidiary, can be recovered
Jiangxi Chaoyang Machinery Factory	5,600,000.00			Subsidiary, can be recovered
CSSC (Nanjing) Oasis Machinery Co., Ltd	5,500,000.00			Subsidiary, can be recovered
Comprehensive institute	4,800,000.00			Subsidiary, can be recovered
Eight Institute	4,420,000.00			Subsidiary, can be recovered
CSSC sailing science and technology limited liability company	3,500,000.00			Subsidiary, can be recovered
Service Center	249,544.00			Subsidiary, can be recovered
Finance Company	243,927.10			Subsidiary, can be recovered

Name of entity	Book balance	Bad debts provision	Proportion (%)	Reason of accrual/not accrual
CSSC	176,010.19			Subsidiary, can be recovered
<b>Total</b>	<b>5,628,213,126.62</b>			

## 2) Other receivable generally to be collected

Name of entity	Book balance	Reason of not accrual
China National Shipbuilding Equipment and Materials Corporation	120,118,893.59	Issue left over from history
Escrow personnel social security (individual)	931,710.44	Basically determined to recover
Petty cash	225,990.85	Basically determined to recover
<b>Total</b>	<b>121,276,594.88</b>	—

## 3) Other receivables that are provided for bad debt provision by aging analysis

Aging	Ending balance			Beginning balance		
	Book balance		Bad debts provision	Book balance		Bad debts provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Over 3 years	3,799,712.80	100.00	3,799,712.80	3,799,712.80	100.00	3,799,712.80
<b>Total</b>	<b>3,799,712.80</b>	<b>—</b>	<b>3,799,712.80</b>	<b>3,799,712.80</b>	<b>—</b>	<b>3,799,712.80</b>

## (2) Top five other receivables in the ending balance summed up according to the parties of debtors

Name of debtors	Nature of money	Book balance	Aging	Proportion (%)	Bad debts provision
Jiangnan Shipyard (Group) Co., Ltd	Capital Funds	1,694,966,719.05		29.46	
CSSC(Guangzhou) international Co., Ltd	Capital Funds	831,400,000.00		14.45	
CSSC Huangpu Wenchong Shipbuilding Co., Ltd	Capital Funds	609,450,000.00		10.59	
Line 4	Capital Funds	570,000,000.00		9.91	
Hudong	Capital Funds	537,900,000.00		9.35	
<b>Total</b>	<b>—</b>	<b>4,243,716,719.05</b>	<b>—</b>	<b>73.76</b>	

## 2. Long-term equity investments

## (1) Classification of long-term equity investments

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Investments to subsidiaries	32,683,753,597.99	5,605,242,260.38	1,908,605,576.76	36,380,390,281.61
Investments to joint venture enterprises	1,482,608,712.52	1,379,487,323.61	29,376,803.24	2,832,719,232.89
Investments to associate enterprises	95,662,106.74		3,127,658.43	92,534,448.31
Subtotal	34,262,024,417.25	6,984,729,583.99	1,941,110,038.43	39,305,643,962.81
Less : Impairment provision of long-term equity investments				
<b>Total</b>	<b>34,262,024,417.25</b>	<b>6,984,729,583.99</b>	<b>1,941,110,038.43</b>	<b>39,305,643,962.81</b>



## (2) Details of long-term equity investments

Invested entity	Investment cost	Beginning balance	Increase of decrease in this year							Ending balance	Ending balance of impairment provision
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued		
I. Subsidiaries	38,223,400,629.40	32,683,753,597.99	5,600,545,175.64	1,903,908,492.02				397,253,944.40		36,380,390,281.61	
CSSC Investment and Development Co., Ltd	6,003,026,900.00	5,703,026,900.00	300,000,000.00							6,003,026,900.00	
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	3,940,161,139.89	3,760,991,139.89	179,170,000.00							3,940,161,139.89	
Jiangnan Shipyard (Group) Co., Ltd	3,941,410,203.99	3,460,197,493.33	481,212,710.66					12,803,242.45		3,941,410,203.99	
China Shipbuilding (Hongkong) Shipping Leasing Co., Ltd	3,748,825,082.51	2,181,825,082.51	1,567,000,000.00							3,748,825,082.51	
CSSC Finance Co., Ltd	2,959,244,288.00	2,959,244,288.00						204,000,000.00		2,959,244,288.00	
CSSC Industry Co., Ltd	2,222,279,485.50	2,360,653,837.50		138,374,352.00				14,985,613.32		2,222,279,485.50	
CSSC Power Co., Ltd	1,642,155,402.56	1,581,605,402.56	60,550,000.00					4,086,720.52		1,642,155,402.56	
CSSC Marine & Defense Equipment Co., Ltd	1,550,420,348.02	1,550,420,348.02						15,052,353.00		1,550,420,348.02	
CSSC Industrial Complete Logistics Co., Ltd	1,015,038,177.71	621,678,177.71	393,360,000.00					14,104,340.67		1,015,038,177.71	
Guangzhou Shipbuilding Industry Co., Ltd	967,301,608.27	967,301,608.27								967,301,608.27	
CSSC Electronic	928,304,800.00	628,304,800.00	300,000,000.00					240,471.19		928,304,800.00	

Invested entity	Investment cost	Beginning balance	Increase of decrease in this year							Ending balance	Ending balance of impairment provision
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued		
Technology Co., Ltd											
Guangzhou CSSC Marine Diesel Engine Co., Ltd	831,749,502.80	214,134,492.77	617,615,010.03					2,096,004.20		831,749,502.80	
China State Shipbuilding Industry Systems Research Institute	734,226,447.17	639,026,447.17	95,200,000.00					25,779,545.05		734,226,447.17	
Nanjing CSSC Luzhou Machinery Co., Ltd	656,258,410.86	649,528,410.86	6,730,000.00							656,258,410.86	
CSSC(Guangzhou) Marine Diesel Engine Co., Ltd	651,926,419.33	603,918,917.19	48,007,502.14	651,926,419.33							
The Ninth Design and Research Institute of China Shipbuilding Engineering Co., Ltd	639,385,010.03	639,385,010.03		639,385,010.03				2,140,096.84			
CSSC Jiujiang Industry Co., Ltd	603,408,585.31	603,408,585.31						1,660,684.41		603,408,585.31	
CSSC(Guangzhou) Wenchong Dock Company Limited	582,967,242.15	228,000,000.00	354,967,242.15							582,967,242.15	
CSSC Power Research Institute Co., Ltd	520,600,000.00	404,000,000.00	116,600,000.00							520,600,000.00	
China Shipbuilding and Ocean Engineering Design and Research Institute	513,070,489.57	347,670,489.57	165,400,000.00					29,602,998.63		513,070,489.57	
CSSC(Shanghai) Steel Structure Engineering Co.,	474,222,710.66		474,222,710.66	474,222,710.66							

Invested entity	Investment cost	Beginning balance	Increase of decrease in this year							Ending balance	Ending balance of impairment provision
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued		
Ltd											
CSSC(Chengxi)Shipbuilding Co., Ltd	400,000,000.00		400,000,000.00							400,000,000.00	
CSSC Southern Shipping Machinery Co., Ltd	363,994,545.26	351,564,545.26	12,430,000.00					8,421,591.97		363,994,545.26	
CSSC(Guangxi)Shipbuilding and Marine Engineering Co., Ltd	350,567,373.24	350,567,373.24								350,567,373.24	
Shanghai Jiangnan Shipyard Co., Ltd	312,724,137.72	312,724,137.72								312,724,137.72	
Jiujiang Precision Testing Technology Research Institute	218,607,981.08	218,607,981.08						1,677,953.76		218,607,981.08	
China Shipbuilding Trading Co., Ltd	166,775,109.53	166,775,109.53						5,021,763.70		166,775,109.53	
Shanghai Ruiyuan Real Estate Development Co., Ltd	159,283,025.12	159,283,025.12								159,283,025.12	
CSSC International Trade Co., Ltd	158,342,924.60	158,342,924.60								158,342,924.60	
Guangzhou Shipbuilding Co., Ltd	150,000,000.00	150,000,000.00								150,000,000.00	
CSSC(Shanghai ) Mitsui Shipbuilding Diesel Engine Co., Ltd	105,900,000.00	129,177,199.41						2,400,000.00		129,177,199.41	
The Eleventh Research Institute of China State	103,592,250.79	103,592,250.79								103,592,250.79	

Invested entity	Investment cost	Beginning balance	Increase of decrease in this year							Ending balance	Ending balance of impairment provision
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued	Other s	
Shipbuilding Corporation											
CSSC Marine Equipment Innovation Park Investment Co., Ltd	100,000,000.00	100,000,000.00									100,000,000.00
Shanghai Ship Design and Research Institute	55,371,887.67	55,371,887.67						23,277,593.02			55,371,887.67
CSSC Heavy Equipment Co., Ltd	50,000,000.00	50,000,000.00									50,000,000.00
Hualian Shipyard Co., Ltd	46,077,384.75	46,077,384.75						6,173,476.04			46,077,384.75
Jiangxi Chaoyang Machinery Factory	45,400,000.00	45,400,000.00									45,400,000.00
CSSC(Shanghai) Shipbuilding Industry Co., Ltd	45,027,084.74	29,247,084.74	15,780,000.00					409,143.91			45,027,084.74
Shanghai Ruizhou Real Estate Development Co., Ltd	42,000,000.00	42,000,000.00						2,849,449.27			42,000,000.00
Shanghai Lu Pu Bridge Investment and Development Co., Ltd	40,000,000.00	40,000,000.00						12,728,140.19			40,000,000.00
CSSC Industry Comprehensive Technical and Economic Research Institute	35,940,719.25	23,640,719.25	12,300,000.00					5,678,543.46			35,940,719.25

Invested entity	Investment cost	Beginning balance	Increase of decrease in this year							Ending balance	Ending balance of impairment provision
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit	Impairment provision accrued		
Guangzhou CSSC Nansha Longxue Construction and Development Co., Ltd	20,000,000.00	20,000,000.00								20,000,000.00	
China Shipbuilding Industry Government Service Center	14,178,288.83	14,178,288.83								14,178,288.83	
Beijing Shipbuilding Industry Management Cadres Institute	6,546,635.90	6,546,635.90						368,025.61		6,546,635.90	
CSSC Europe Co., Ltd	4,880,497.59	4,127,090.41								4,127,090.41	
Jiujiang science and technology training center	1,000,000.00	1,000,000.00								1,000,000.00	
Guangzhou Shipbuilding and Marine Engineering Design and Research Institute	708,529.00	708,529.00						1,686,190.19		708,529.00	
China Ship News Agency	500,000.00	500,000.00								500,000.00	
II、Joint venture enterprises	<b>3,816,680,510.94</b>	<b>1,482,608,712.52</b>			<b>1,350,110,520.37</b>					<b>2,832,719,232.89</b>	
CSSC Real Estate Co., Ltd	1,286,540,629.34	467,657,900.18			1,316,305,155.38					1,783,963,056.56	
Shanghai Ruiming Properties Co., Ltd	1,272,833,638.48	817,109,638.89			-29,376,803.24					787,732,835.65	
Shanghai Ruibo Properties Co., Ltd	1,257,306,243.12	197,841,173.45			63,182,167.23					261,023,340.68	
III、Associated enterprises	<b>73,684,846.06</b>	<b>95,662,106.74</b>			<b>-2,627,658.43</b>			<b>500,000.00</b>		<b>92,534,448.31</b>	
Zhengmao Group Co., Ltd	73,684,846.06	95,662,106.74			-2,627,658.43			500,000.00		92,534,448.31	

Invested entity	Investment cost	Beginning balance	Increase of decrease in this year						Ending balance	Ending balance of impairment provision
			Increase investment	Decrease investment	Investment income recognized under equity method	Adjustment in other comprehensive income	Other equity change	Declared to distribute cash dividend or profit		
Total	42,113,765,986.40	34,262,024,417.25	5,600,545,175.64	1,903,908,492.02	1,347,482,861.94			397,753,941.40	39,305,643,962.81	

## (3) Main financial information of significant joint venture enterprises

Item	This year				Last year			
	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruibo Properties Co., Ltd	CSSC Real Estate Co., Ltd
Current assets	12,546,653,576.97	1,603,643,154.48	6,745,740,246.41	14,246,607,730.21	1,613,173,237.70	8,192,531,718.93	1,613,173,237.70	8,192,531,718.93
Non-current assets	3,274,548,494.36	2,207,219,321.15	61,738,520.97	3,362,660,854.48	2,386,531,753.51	2,909,142.77	2,386,531,753.51	2,909,142.77
Total assets	15,821,202,071.33	3,810,862,475.63	6,807,478,767.38	17,609,268,584.69	3,999,704,991.21	8,195,440,861.70	3,999,704,991.21	8,195,440,861.70
Current liabilities	13,060,803,338.84	1,171,267,462.09	2,106,649,183.99	14,975,234,186.65	1,272,527,336.67	4,950,099,801.35	1,272,527,336.67	4,950,099,801.35
Non-current liabilities								
Total liabilities	13,060,803,338.84	1,171,267,462.09	2,106,649,183.99	14,975,234,186.65	1,272,527,336.67	4,950,099,801.35	1,272,527,336.67	4,950,099,801.35
Net assets	2,760,398,732.49	2,639,595,013.54	4,700,829,583.39	2,634,034,398.04	2,727,177,654.54	3,245,341,060.35	2,727,177,654.54	3,245,341,060.35
Portion of net assets calculated according to the shareholding percentage	1,380,199,366.25	1,319,797,506.77	2,350,414,791.70	1,317,017,199.02	1,363,588,827.00	1,622,670,530.00	1,363,588,827.00	1,622,670,530.00
Adjustment matters	-1,119,176,025.57	-532,064,671.12	-566,451,735.14	-1,119,176,025.57	-546,479,188.11	-1,155,012,629.82	-546,479,188.11	-1,155,012,629.82
Book value of equity investments to joint ventures enterprises	261,023,340.68	787,732,835.65	1,783,963,056.56	197,841,173.45	817,109,638.89	467,657,900.18	817,109,638.89	467,657,900.18
Fair value of equity investments with public offering price								
Operating revenue	138,666,666.67	325,063,142.10	4,628,536,482.03		302,209,393.74	1,912,367,400.00	302,209,393.74	1,912,367,400.00

Item	This year			Last year		
	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd	Shanghai Ruibo Properties Co., Ltd	Shanghai Ruiming Properties Co., Ltd	CSSC Real Estate Co., Ltd
Financial expense	-19,013,413.16	-9,837,878.69	-54,520,504.13	-41,568,821.47	-15,649,933.95	-36,432,367.64
Income tax expense	44,282,100.28		485,162,841.02	-4,643,583.36	17,894,993.67	208,765,654.43
Net profit	126,364,334.45	-87,582,641.00	1,455,488,523.04	-14,729,094.92	-94,021,733.35	626,297,951.18
Other comprehensive income						
Total comprehensive income	126,364,334.45	-87,582,641.00	1,455,488,523.04	-14,729,094.92	-94,021,733.35	626,297,951.18
Dividend received from joint venture enterprises in this period						

## (4) Main financial information of significant associated enterprises

Item	Zhengmao Group Co., Ltd	
	This year	Last year
Current assets	327,375,031.61	363,937,532.41
Non-current assets	43,812,073.77	43,191,177.88
Total assets	371,187,105.38	407,128,710.29
Current liabilities	129,757,472.43	159,717,316.83
Non-current liabilities	13,219,644.38	12,271,084.26
Total liabilities	142,977,116.81	171,988,401.09
Net assets	228,209,988.57	235,140,309.20
Portion of net assets calculated according to the shareholding percentage	102,991,167.84	106,118,821.54
Adjustment matters	-10,456,719.53	-10,456,714.80
Book value of equity investments to associated enterprises	92,534,448.31	95,662,106.74
Fair value of equity investments with public offering price		
Operating revenue	241,933,306.45	282,090,236.16
Financial expense	-9,180,833.89	-3,868,869.04
Income tax expense		-83,358.15
Net profit	-9,180,833.89	-21,504,266.50
Other comprehensive income	500,000.00	
Total comprehensive income	327,375,031.61	-21,504,266.50
Dividend received from associates in this period	43,812,073.77	626,413.65

## 3. Operating revenue and cost

## (1) Operating revenue and cost

Item	This year		Last year	
	Revenue	Cost	Revenue	Cost
Subtotal of other business	113,713,542.96		131,200,877.64	
Guarantee fee income	47,001,589.46		117,406,649.31	
Rent income	59,217,746.00			
Financing service fee	2,931,000.00		4,023,508.33	
Enterprise network service	4,563,207.50		9,560,320.00	
Others			210,400.00	
<b>Total</b>	<b>113,713,542.96</b>		<b>131,200,877.64</b>	



## 4. Investment income

## (1) Sources of investment income

Source of investment income	This year	Last year
Investment income from long-term equity investments measured under cost method	395,113,844.56	1,306,360,448.53
Investment income of long-term equity investments measured under equity method	1,347,482,861.94	493,310,730.96
Investment income from disposal of long-term equity investment		1,275,348,663.75
Investment income from loan by mandate during the holding period	1,306,816,941.32	1,167,829,051.31
Investment income from available-for-sale financial assets, etc.	330,000.00	330,000.00
<b>Total</b>	<b>3,049,743,647.82</b>	<b>4,243,178,894.55</b>

(2) The Company does not have the situation where significant restrictions exist on the remittance of investment income.

## 5. Supplementary information to the cash flow statements of the parent Company

Item	This year	Last year
1. Reconciliation of net profit to cash flows from operating activities	—	—
Net profit	1,778,845,913.97	2,925,280,162.51
Add: Asset impairment provision		
Loss from disposal of fixed assets, intangible assets and other long-term assets	17,999,535.56	18,794,732.31
Amortization of intangible assets	35,986.00	86,366.40
Amortization of long-term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as “-”)		
Scrapped loss on fixed assets (Gain listed as “-”)		
Loss from changes in fair value (Gain listed as “-”)		
Financial expense (Gain listed as “-”)	1,275,179,050.13	1,254,943,323.64
Investment loss (Gain listed as “-”)	-3,049,743,647.82	-4,243,178,894.55
Decrease of deferred tax assets (Increase listed as “-”)		
Increase in deferred tax liabilities (Decrease listed as “-”)		
Decrease of inventories (Increase listed as “-”)		
Decrease in operating receivables (Increase listed as “-”)	-3,256,089.20	-4,697,588.31
Increase in operating payables (Decrease listed as “-”)	-265,896,534.44	336,397,412.39
Others		
Net cash flow generated from operating activities	-246,835,785.80	287,625,514.39
2. Significant non-cash investing and financing activities		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		

Item	This year	Last year
Fixed assets acquired under finance leases arrangement		
3.Changes in cash and cash equivalents		
Ending balance of cash	3,940,476,403.74	6,795,321,837.94
Less: Cash at beginning of year	6,795,321,837.94	8,071,288,941.02
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-2,854,845,434.20	-1,275,967,103.08

**XIV、 Other content which should be disclosed in accordance with the related financial accounting and systems**

None.

## APPENDIX A1

### FORM OF USD STANDBY LETTER OF CREDIT

*The following sets forth the form of the USD Standby Letter of Credit that the LC Bank will issue on or before the Issue Date in connection with the offering of the USD Bonds. Please see Condition 3(b) of the Terms and Conditions of the USD Bonds for details of when the Trustee (as beneficiary on behalf of the holders of the USD Bonds) is required to make a drawing under the USD Standby Letter of Credit.*

FM: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED,  
ACTING THROUGH ITS SHANGHAI MUNICIPAL BRANCH (SWIFT: ICBKCNBJSHI)  
9 PUDONG AVENUE, SHANGHAI 200120, CHINA

DATE: SEPTEMBER 27, 2018

TO BENEFICIARY: BANK OF COMMUNICATIONS TRUSTEE LIMITED (THE 'TRUSTEE') IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF ITSELF AND THE HOLDERS (THE 'BONDHOLDERS') OF USD485,000,000 IN THE AGGREGATE PRINCIPAL AMOUNT 4.125 PER CENT. CREDIT ENHANCED BONDS DUE 2021 (THE 'BONDS') TO BE ISSUED BY CSSC CAPITAL ONE LIMITED (THE 'BOND ISSUER') WITH THE BENEFIT OF A KEEPWELL DEED PROVIDED BY CHINA STATE SHIPBUILDING CORPORATION LIMITED AND TO BE CONSTITUTED BY A TRUST DEED DATED SEPTEMBER 27, 2018 (THE 'BOND ISSUE DATE') BETWEEN THE BOND ISSUER, CHINA STATE SHIPBUILDING CORPORATION LIMITED AND THE TRUSTEE (AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE 'TRUST DEED'),

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. .

AT THE REQUEST OF OUR CUSTOMER, CHINA STATE SHIPBUILDING CORPORATION LIMITED, WE, INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, ACTING THROUGH OUR SHANGHAI MUNICIPAL BRANCH (THE 'ISSUING BANK,' 'OUR,' 'US' OR 'WE'), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. . IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE BOND ISSUER AND CHINA STATE SHIPBUILDING CORPORATION LIMITED, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE 'CONDITIONS') AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A 'DEMAND') PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (1) THE BOND ISSUER HAS FAILED TO COMPLY WITH CONDITION 3 OF THE CONDITIONS (THE 'PRE-FUNDING CONDITION') IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDS, HAS GIVEN NOTICE TO THE BOND ISSUER THAT THE BONDS ARE DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS OR (3) THE BOND ISSUER HAS FAILED TO PAY ALL FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND/OR OTHER AMOUNTS EXPRESSED TO BE PAYABLE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT WHEN DUE AND SUCH FAILURE CONTINUES FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE BOND ISSUER IN ACCORDANCE WITH THE CONDITIONS AND/OR THE TRUST DEED.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE BOND ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY NO LATER THAN 11:00 A.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY NO LATER THAN 11:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER SUCH BUSINESS DAY (OR, IF SUCH DEMAND IS RECEIVED AFTER 11:00 A.M. (HONG KONG TIME) ON A BUSINESS DAY, THE FIFTH BUSINESS DAY IMMEDIATELY FOLLOWING SUCH BUSINESS DAY) PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN US DOLLARS SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. 'BUSINESS DAY' MEANS A DAY (OTHER THAN A SATURDAY, SUNDAY OR PUBLIC HOLIDAY) ON WHICH COMMERCIAL BANKS ARE OPEN FOR BUSINESS IN HONG KONG, SHANGHAI, AND NEW YORK CITY.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY YOU IS UNCONDITIONAL AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONoured WITHOUT FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN US DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED USD550,000,000 (THE 'MAXIMUM LIMIT'). THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON OCTOBER 27, 2021 (THE 'EXPIRY TIME') AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY YOU OR ON YOUR BEHALF AS TRUSTEE FOR THE BONDS TO US (SWIFT: ICBKCNBJSHI) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER, PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 21-68499027 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR THE BONDS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, TOGETHER WITH A STATEMENT THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE EVENT OF A PRESENTATION BY FACSIMILE TRANSMISSION, NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED.

MULTIPLE DRAWINGS AND PARTIAL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT ARE PERMITTED, AND EACH SUCH DRAWING SHALL REDUCE THE TOTAL AMOUNT AVAILABLE FOR DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY AN AMOUNT EQUAL TO SUCH DRAWING.

THE AMOUNT OF THIS STAND-BY LETTER OF CREDIT SHALL BE TERMINATED WHEN THERE IS NO AMOUNT ACTUAL OR CONTINGENT REMAINING PAYABLE UNDER THE TRUST DEED, THE AGENCY AGREEMENT AND THE BONDS.

ALL CHARGES ARE FOR THE ACCOUNT OF THE BOND ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN US DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE, UNLESS AND TO THE EXTENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, IN WHICH CASE, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE

FOR THE BONDS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED BY LAW. IN THE EVENT THAT THE ISSUING BANK HAS MADE ANY DEDUCTION OR WITHHOLDING FOR ANY TAXES, DUTIES, ASSESSMENTS OR GOVERNMENTAL CHARGES OF WHATEVER NATURE IMPOSED, LEVIED, COLLECTED, WITHHELD OR ASSESSED BY OR WITHIN THE PRC OR ANY AUTHORITY THEREIN OR THEREOF HAVING POWER TO TAX ('PRC TAX'), IT SHALL, BY THE LAST BUSINESS DAY OF THE NEXT CALENDAR MONTH FOLLOWING SUCH PAYMENT, DELIVER TO THE TRUSTEE A DOCUMENT ISSUED BY THE ISSUING BANK AND/OR THE COMPETENT TAXING AUTHORITY OF THE PRC CERTIFYING THE PAYMENT OF SUCH PRC TAX AND THE AMOUNT SO PAID. IF THERE ARE MULTIPLE DOCUMENTS EVIDENCING THE PAYMENT OF SUCH PRC TAX, THE ISSUING BANK SHALL DELIVER ALL SUCH DOCUMENTS TO THE TRUSTEE.

THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, VIA FACSIMILE TRANSMISSION TO US AT +86 21-68499027, AND ACKNOWLEDGED BY US.

WE MAY NOT TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IN THE UNEXPECTED EVENT THAT WE ARE CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS PERMITTED TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 21-68499027 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS, PROVIDED THAT IF WE ARE CLOSED AT THE EXPIRY TIME, THE EXPIRY TIME SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE, WITHIN FIVE BUSINESS DAYS AFTER THE DATE OF OUR RESUMPTION OF OUR BUSINESS.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR THE BONDS AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU BY THE BOND ISSUER OR ANY OTHER PERSON ON THE BOND ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, IS GOVERNED BY ENGLISH LAW. NO THIRD PARTY SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREE (A) FOR THE BENEFIT OF THE BENEFICIARY AS TRUSTEE FOR THE BONDHOLDERS THAT THE COURTS OF HONG KONG HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE (A "DISPUTE") ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATION ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT), AND (B) THAT THOSE COURTS ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT.

WE HAVE IRREVOCABLY APPOINTED INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED AS OUR PROCESS AGENT IN HONG KONG TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH A PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. FAILURE BY A PROCESS AGENT TO NOTIFY US OF THE RELEVANT PROCESS WILL NOT INVALIDATE THE PROCEEDINGS CONCERNED. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1

FORM OF DEMAND

TO: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED,  
ACTING THROUGH ITS SHANGHAI MUNICIPAL BRANCH (SWIFT: ICBKCNBJSHI)  
9 PUDONG AVENUE, SHANGHAI 200120, CHINA

(DATE)

DEAR SIRS

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. (.....) IN RESPECT OF USD485,000,000 IN THE AGGREGATE PRINCIPAL AMOUNT 4.125 PER CENT.  
CREDIT ENHANCED BONDS DUE 2021 ISSUED BY CSSC CAPITAL ONE LIMITED  
(THE 'BOND ISSUER') WITH THE BENEFIT OF A KEEPWELL DEED PROVIDED BY CHINA STATE SHIPBUILDING CORPORATION LIMITED.

WE, ( ), ARE MAKING THIS DEMAND FOR AND ON BEHALF OF (BANK OF COMMUNICATIONS TRUSTEE LIMITED) AS TRUSTEE FOR THE BONDS (THE 'BENEFICIARY') UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. ( ) (THE 'IRREVOCABLE STANDBY LETTER OF CREDIT'). CAPITALISED TERMS USED HEREIN BUT NOT DEFINED SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE IRREVOCABLE STANDBY LETTER OF CREDIT.

1 THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING<sup>1</sup>:

- ( ) THE BOND ISSUER HAS FAILED TO COMPLY WITH CONDITION 3) (THE 'PRE-FUNDING CONDITION') IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION.
- ( ) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDS, HAS GIVEN NOTICE TO THE BOND ISSUER THAT THE BONDS ARE DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.
- ( ) THE BOND ISSUER HAS FAILED TO PAY ALL FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND/OR OTHER AMOUNTS EXPRESSED TO BE PAYABLE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT WHEN DUE AND SUCH FAILURE CONTINUES FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE BOND ISSUER.

2 WE HEREBY CERTIFY THE AMOUNT(S) SPECIFIED BELOW ARE DUE AND PAYABLE AND ACCORDINGLY, WE HEREBY DEMAND YOU TO PAY TO US:

- ( ) USD(AMOUNT) OF INTEREST DUE IN RESPECT OF THE OUTSTANDING BONDS ON (DATE) (THE 'DUE DATE'), WHICH HAS NOT BEEN PRE-FUNDED IN ACCORDANCE WITH THE CONDITIONS.
- ( ) USD(AMOUNT) OF PRINCIPAL (TOGETHER WITH ACCRUED BUT UNPAID INTEREST) DUE IN RESPECT OF THE OUTSTANDING BONDS ON (DATE) (THE 'DUE DATE'), WHICH HAS NOT BEEN PRE-FUNDED IN ACCORDANCE WITH THE CONDITIONS.

---

<sup>1</sup> TRUSTEE TO CHECK APPROPRIATE BOX AND COMPLETE DETAILS IN BRACKETS.

( ) USD(AMOUNT) OF PRINCIPAL AND/OR ANY REDEMPTION AMOUNTS DUE IN RESPECT OF THE OUTSTANDING BONDS, TOGETHER WITH ACCRUED INTEREST UP TO (DATE) (THE 'CUT-OFF DATE') AS A RESULT OF THE BONDS HAVING BECOME DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

( ) USD(AMOUNT) OF THE FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND/OR OTHER AMOUNTS EXPRESSED TO BE PAYABLE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT THEN OUTSTANDING.

3 WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNTS AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4 THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT:

ACCOUNT NUMBER: (INSERT ACCOUNT DETAILS)

*NOTE:* TRUSTEE TO CHECK APPROPRIATE BOX AND COMPLETE DETAILS IN BRACKETS.

FOR AND BEHALF OF (BANK OF COMMUNICATIONS TRUSTEE LIMITED) AS BENEFICIARY

BY: .....

NAME: .....

TITLE: .....

BY: .....

NAME: .....

TITLE: .....



## APPENDIX A2

### FORM OF EURO STANDBY LETTER OF CREDIT

*The following sets forth the form of the Euro Standby Letter of Credit that the LC Bank will issue on or before the Issue Date in connection with the offering of the Euro Bonds. Please see Condition 3(b) of the Terms and Conditions of the Euro Bonds for details of when the Trustee (as beneficiary on behalf of the holders of the Euro Bonds) is required to make a drawing under the Euro Standby Letter of Credit.*

FM: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED,  
ACTING THROUGH ITS SHANGHAI MUNICIPAL BRANCH (SWIFT: ICBKCNBJSHI)  
9 PUDONG AVENUE, SHANGHAI 200120, CHINA

DATE: SEPTEMBER 27, 2018

TO BENEFICIARY: BANK OF COMMUNICATIONS TRUSTEE LIMITED (THE 'TRUSTEE') IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF ITSELF AND THE HOLDERS (THE 'BONDHOLDERS') OF EUR300,000,000 IN THE AGGREGATE PRINCIPAL AMOUNT 1.75 PER CENT. CREDIT ENHANCED BONDS DUE 2023 (THE 'BONDS') TO BE ISSUED BY CSSC CAPITAL TWO LIMITED (THE 'BOND ISSUER') WITH THE BENEFIT OF A KEEPWELL DEED PROVIDED BY CHINA STATE SHIPBUILDING CORPORATION LIMITED AND TO BE CONSTITUTED BY A TRUST DEED DATED SEPTEMBER 27, 2018 (THE 'BOND ISSUE DATE') BETWEEN THE BOND ISSUER, CHINA STATE SHIPBUILDING CORPORATION LIMITED AND THE TRUSTEE (AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE 'TRUST DEED'),

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. .

AT THE REQUEST OF OUR CUSTOMER, CHINA STATE SHIPBUILDING CORPORATION LIMITED, WE, INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, ACTING THROUGH OUR SHANGHAI MUNICIPAL BRANCH (THE 'ISSUING BANK,' 'OUR,' 'US' OR 'WE'), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. . IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE BOND ISSUER AND CHINA STATE SHIPBUILDING CORPORATION LIMITED, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE 'CONDITIONS') AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A 'DEMAND') PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (1) THE BOND ISSUER HAS FAILED TO COMPLY WITH CONDITION 3 OF THE CONDITIONS (THE 'PRE-FUNDING CONDITION') IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDS, HAS GIVEN NOTICE TO THE BOND ISSUER THAT THE BONDS ARE DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS OR (3) THE BOND ISSUER HAS FAILED TO PAY ALL FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND/OR OTHER AMOUNTS EXPRESSED TO BE PAYABLE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT WHEN DUE AND SUCH FAILURE CONTINUES FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE BOND ISSUER IN ACCORDANCE WITH THE CONDITIONS AND/OR THE TRUST DEED. SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE BOND ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY NO LATER THAN 11:00 A.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY NO LATER THAN 11:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER SUCH BUSINESS DAY (OR, IF SUCH DEMAND IS RECEIVED AFTER 11:00 A.M. (HONG KONG TIME) ON A BUSINESS DAY, THE FIFTH BUSINESS DAY

IMMEDIATELY FOLLOWING SUCH BUSINESS DAY) PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN EURO SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. 'BUSINESS DAY' MEANS A DAY (OTHER THAN A SATURDAY, SUNDAY OR PUBLIC HOLIDAY) ON WHICH THE TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER (KNOWN AS TARGET2) SYSTEM (WHICH WAS LAUNCHED ON 19 NOVEMBER 2007, AND ANY SUCCESSOR THEREOF) COMMERCIAL BANKS ARE OPEN FOR BUSINESS IN HONG KONG, SHANGHAI, AND LONDON.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY YOU IS UNCONDITIONAL AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONoured WITHOUT FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN EURO AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED EUR350,000,000 (THE 'MAXIMUM LIMIT'). THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON OCTOBER 27, 2023 (THE 'EXPIRY TIME') AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY YOU OR ON YOUR BEHALF AS TRUSTEE FOR THE BONDS TO US (SWIFT: ICBKCNBJSHI) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER, PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 21-68499027 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR THE BONDS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, TOGETHER WITH A STATEMENT THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE EVENT OF A PRESENTATION BY FACSIMILE TRANSMISSION, NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED.

MULTIPLE DRAWINGS AND PARTIAL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT ARE PERMITTED, AND EACH SUCH DRAWING SHALL REDUCE THE TOTAL AMOUNT AVAILABLE FOR DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY AN AMOUNT EQUAL TO SUCH DRAWING.

THE AMOUNT OF THIS STAND-BY LETTER OF CREDIT SHALL BE TERMINATED WHEN THERE IS NO AMOUNT ACTUAL OR CONTINGENT REMAINING PAYABLE UNDER THE TRUST DEED, THE AGENCY AGREEMENT AND THE BONDS.

ALL CHARGES ARE FOR THE ACCOUNT OF THE BOND ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN EURO AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE, UNLESS AND TO THE EXTENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, IN WHICH CASE, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE FOR THE BONDS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED BY LAW. IN THE EVENT THAT THE ISSUING BANK HAS MADE ANY DEDUCTION OR WITHHOLDING FOR ANY TAXES, DUTIES, ASSESSMENTS OR GOVERNMENTAL CHARGES OF WHATEVER NATURE IMPOSED, LEVIED, COLLECTED,

WITHHELD OR ASSESSED BY OR WITHIN THE PRC OR ANY AUTHORITY THEREIN OR THEREOF HAVING POWER TO TAX ('PRC TAX'), IT SHALL, BY THE LAST BUSINESS DAY OF THE NEXT CALENDAR MONTH FOLLOWING SUCH PAYMENT, DELIVER TO THE TRUSTEE A DOCUMENT ISSUED BY THE ISSUING BANK AND/OR THE COMPETENT TAXING AUTHORITY OF THE PRC CERTIFYING THE PAYMENT OF SUCH PRC TAX AND THE AMOUNT SO PAID. IF THERE ARE MULTIPLE DOCUMENTS EVIDENCING THE PAYMENT OF SUCH PRC TAX, THE ISSUING BANK SHALL DELIVER ALL SUCH DOCUMENTS TO THE TRUSTEE.

THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY YOU OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, VIA FACSIMILE TRANSMISSION TO US AT +86 21-68499027, AND ACKNOWLEDGED BY US.

WE MAY NOT TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IN THE UNEXPECTED EVENT THAT WE ARE CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS PERMITTED TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 21-68499027 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS, PROVIDED THAT IF WE ARE CLOSED AT THE EXPIRY TIME, THE EXPIRY TIME SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE, WITHIN FIVE BUSINESS DAYS AFTER THE DATE OF OUR RESUMPTION OF OUR BUSINESS.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR THE BONDS AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU BY THE BOND ISSUER OR ANY OTHER PERSON ON THE BOND ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, IS GOVERNED BY ENGLISH LAW. NO THIRD PARTY SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREE (A) FOR THE BENEFIT OF THE BENEFICIARY AS TRUSTEE FOR THE BONDHOLDERS THAT THE COURTS OF HONG KONG HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE (A "DISPUTE") ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATION ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT), AND (B) THAT THOSE COURTS ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT.

WE HAVE IRREVOCABLY APPOINTED INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED AS OUR PROCESS AGENT IN HONG KONG TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH A PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. FAILURE BY A PROCESS AGENT TO NOTIFY US OF THE RELEVANT PROCESS WILL NOT INVALIDATE THE PROCEEDINGS CONCERNED. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1

FORM OF DEMAND

TO: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED,  
ACTING THROUGH ITS SHANGHAI MUNICIPAL BRANCH (SWIFT: ICBKCNBJSHI)  
9 PUDONG AVENUE, SHANGHAI 200120, CHINA

(DATE)

DEAR SIR(S)

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. (.....) IN RESPECT OF EUR300,000,000 IN THE AGGREGATE PRINCIPAL AMOUNT 1.75 PER CENT. CREDIT ENHANCED BONDS DUE 2023 ISSUED BY CSSC CAPITAL TWO LIMITED (THE 'BOND ISSUER') WITH THE BENEFIT OF A KEEPWELL DEED PROVIDED BY CHINA STATE SHIPBUILDING CORPORATION LIMITED.

WE, ( ), ARE MAKING THIS DEMAND FOR AND ON BEHALF OF (BANK OF COMMUNICATIONS TRUSTEE LIMITED) AS TRUSTEE FOR THE BONDS (THE 'BENEFICIARY') UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. ( ) (THE 'IRREVOCABLE STANDBY LETTER OF CREDIT'). CAPITALISED TERMS USED HEREIN BUT NOT DEFINED SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE IRREVOCABLE STANDBY LETTER OF CREDIT.

1 THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING<sup>1</sup>:

- ( ) THE BOND ISSUER HAS FAILED TO COMPLY WITH CONDITION 3 (THE 'PRE-FUNDING CONDITION') IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION.
- ( ) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDS, HAS GIVEN NOTICE TO THE BOND ISSUER THAT THE BONDS ARE DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.
- ( ) THE BOND ISSUER HAS FAILED TO PAY ALL FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND/OR OTHER AMOUNTS EXPRESSED TO BE PAYABLE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT WHEN DUE AND SUCH FAILURE CONTINUES FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE BOND ISSUER.

2 WE HEREBY CERTIFY THE AMOUNT(S) SPECIFIED BELOW ARE DUE AND PAYABLE AND ACCORDINGLY, WE HEREBY DEMAND YOU TO PAY TO US:

- ( ) EUR(AMOUNT) OF INTEREST DUE IN RESPECT OF THE OUTSTANDING BONDS ON (DATE) (THE 'DUE DATE'), WHICH HAS NOT BEEN PRE-FUNDED IN ACCORDANCE WITH THE CONDITIONS.
- ( ) EUR(AMOUNT) OF PRINCIPAL (TOGETHER WITH ACCRUED BUT UNPAID INTEREST) DUE IN RESPECT OF THE OUTSTANDING BONDS ON (DATE) (THE 'DUE DATE'), WHICH HAS NOT BEEN PRE-FUNDED IN ACCORDANCE WITH THE CONDITIONS.

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<sup>1</sup> TRUSTEE TO CHECK APPROPRIATE BOX AND COMPLETE DETAILS IN BRACKETS.

( ) EUR(AMOUNT) OF PRINCIPAL AND/OR ANY REDEMPTION AMOUNTS DUE IN RESPECT OF THE OUTSTANDING BONDS, TOGETHER WITH ACCRUED INTEREST UP TO (DATE) (THE 'CUT-OFF DATE') AS A RESULT OF THE BONDS HAVING BECOME DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

( ) EUR(AMOUNT) OF SHORTFALL AS A RESULT OF ANY NEGATIVE INTEREST CHARGE AMOUNT (AS DEFINED IN THE CONDITIONS) BEING PAYABLE AND NOT PRE-FUNDED BY THE ISSUER IN ACCORDANCE WITH CONDITION 3.

( ) EUR(AMOUNT) OF THE FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND/OR OTHER AMOUNTS EXPRESSED TO BE PAYABLE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT THEN OUTSTANDING.

3 WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNTS AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4 THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT:

ACCOUNT NUMBER: (INSERT ACCOUNT DETAILS)

NOTE: TRUSTEE TO CHECK APPROPRIATE BOX AND COMPLETE DETAILS IN BRACKETS.

FOR AND BEHALF OF (BANK OF COMMUNICATIONS TRUSTEE LIMITED) AS BENEFICIARY

BY: .....

NAME: .....

TITLE: .....

BY: .....

NAME: .....

TITLE: .....

**USD ISSUER**

**CSSC Capital One Limited**  
 Ritter House, Wickhams Cay II,  
 PO Box 3170  
 Road Town, Tortola VG 1110  
 British Virgin Islands

**EURO ISSUER**

**CSSC Capital Two Limited**  
 Ritter House, Wickhams Cay II,  
 PO Box 3170  
 Road Town, Tortola VG 1110  
 British Virgin Islands

**COMPANY**

**China State Shipbuilding  
 Corporation Limited**  
 1 Pudong Avenue  
 Pudong District, Shanghai, PRC

**TRUSTEE**

Bank of Communications Trustee Limited  
 1/F., Far East Consortium Bldg.,  
 121 Des Voeux Road Central, Hong Kong

**PRINCIPAL PAYING AGENT,  
 REGISTRAR, TRANSFER AGENT,  
 PRE-FUNDING ACCOUNT BANK  
 AND LC PROCEEDS ACCOUNT BANK**

**Industrial and Commercial Bank of China (Asia) Limited**  
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