中船海洋与防务装备股份有限公司
CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

(a joint stock company with limited liability incorporated in the People's Republic of China)
H Share Stock Code: 00317

SUMMARY OF THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016

§1 IMPORTANT NOTES

1.1 The financial information contained in this summary of the interim report (the "Report") for the six month ended 30 June 2016 (the "Reporting Period") of CSSC Offshore & Marine Engineering (Group) Company Limited (hereinafter referred to as "COMEC" or the "Company", together with its subsidiaries, the "Group") is prepared in accordance with the PRC Accounting Standards for Business Enterprises and Relevant Regulations ("Accountant Standards and Regulations"), and the financial information contained in this summary has been reviewed and confirmed by the Audit Committee.

1.2 All Director of the Company attended the 31st meeting of the eighth session of the Board held on 30August 2016, of which Mr. Yang Li, non-executive Director,andMr. Chen Ji, executive Director, appointed Mr.Han Guangde, executive Director, to attend and vote at the meeting on their behalf, Mr. Wang Guozhong,non-executive Director, appointed Mr.Xiang Huiming, executive Director, to attend and vote at the meeting on his behalf, Mr.Min Weiguo,independent non-executive Directors,, appointed Mr.Wang Yichu, independent non-executive Directors, to attend and vote at the meeting on his behalf. The Report was unanimously approved at the meeting.

1.3 The 2016 interim financial report of the Company has not been audited.

1.4 This document is a summary of the full text of the Report. Investors are advised to read the full text of the Report for details.

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

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

§2 BASIC INFORMATION ON THE COMPANY

2.1.1 Key financial information

2.1.1 Key accounting figures

Unit: RMB

Key accounting figures	Reporting Period (January–June)	Corresponding period of last year	Change (%)
Operating income	11,359,948,288.79	10,809,719,237.47	5.09
Net profit attributable to shareholders of the Company	37,072,739.65	-524,993,554.11	Not applicable
Net profit attributable to shareholders of the Company after deduction of exceptional items	-67,233,326.03	-589,332,813.80	Not applicable
Net cash flow from operating activities	-3,748,517,735.67	-3,498,657,736.99	Not applicable
	As at the end of the Reporting Period	**As at the end of last year**	**Change (%)**
Net assets attributable to shareholders of the Company	10,313,637,268.62	10,318,048,242.46	-0.04
Total assets	50,763,333,152.68	48,995,954,305.21	3.61

2.1.2 Key financial indicators

Unit:RMB

Key financial indicators	Reporting Period (January–June)	Corresponding period of last year	Change (%)
Basic earnings per share (RMB/share)	0.0262	-0.3866	Not applicable
Diluted earnings per share (RMB/share)	0.0262	-0.3866	Not applicable
Basic earnings per share after deduction of exceptional items (RMB/share)	-0.0476	-0.4823	Not applicable
Weighted average return on equity (%)	0.36	-5.71	Increase of 6.07 percentage points
Weighted average return on equity after deduction of exceptional items (%)	-0.65	-7.70	Increase of 7.05 percentage points

2.1.3 Exceptional items and their amounts

Unit: RMB

Exceptional items	Amount
Gain or loss on disposal of non-current assets	22,609,773.51
Government subsidies included in current profit or loss, other than on-going government subsidies which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	37,743,539.76
Gain or loss on entrusted investments or asset management	29,277,064.59
Gains or losses on changes in fair value and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operations	17,649,025.69
Other non-operating income and expenses apart from above items	3,832,433.80
Effect of non-controlling interests	-322,890.58
Effect of income tax	-6,482,881.09
Total	104,306,065.68

§3 STAFF AND REMUNERATION POLICY

The remuneration of the employees of the Group includes salaries, bonuses and other fringe benefits prescribed by the government. The Group applies different rates of remuneration for different employees, which are determined based on their positions and performance pursuant to the relevant PRC laws and regulations. As at 30 June 2016, the number of employees on the record of the Group was 21,391. As at 30 June 2016, the remuneration paid by the Group to employees was RMB1,198 million in aggregate.

§4 REPORT OF THE BOARD OF THE DIRECTORS

4.1 Discussion and analysis of overall operation during the Reporting Period

During the Reporting Period, the shipping market continued to be at a low point. The shipbuilding market showed no signs of strong recovery and the demand for new ships remained depressed. Against such adverse market environment, the Company actively coped with challenges by leveraging its own strengths to further improve production management and strive to achieve its objective of operation and orders.

During the Reporting Period,the Company endeavours to improve its profitability through enhanced cost management and control. As at 30 June 2016, operating income of the Group prepared in accordance with the Accounting Standards and Regulations amounted to RMB11.36 billion, represented an increase of 5.09% compared with the corresponding period of last year. Net profit attributable to the shareholders of the Company amounted to RMB37 million, turning into profit from previous loss. Earnings per share were RMB0.0262, and earnings per share after deduction of exceptional items were RMB-0.0476.

4.2 Analysis of principal businesses

4.2.1 Analysis of changes in relevant items in the financial statements

Unit:RMB

Analysis of changes in relevant items in income statement and cash flow statement

Item	**Reporting Period**	**Corresponding period of last year**	**Change (%)**
Operating income	11,359,948,288.79	10,809,719,237.47	5.09
Operating cost	10,635,670,335.59	10,505,677,087.10	1.24
Selling expenses	100,032,415.61	77,145,661.29	29.67
Administrative expenses	595,934,762.38	603,455,675.24	-1.25
Finance costs	9,665,504.45	39,589,871.47	-75.59
Net cash flow from operating activities	-3,748,517,735.67	-3,498,657,736.99	Not applicable
Net cash flow from investment activities	-1,297,790,012.77	-652,263,549.02	Not applicable
Net cash flow from financing activities	4,738,591,512.43	2,351,461,445.40	101.52
Research and development expenditure	175,584,518.03	173,326,764.96	1.30

Analysis of changes in relevant items in balance sheet

Name of project	**As at the end of period**	**As at the beginning of period**	**Change (%)**
Financial assets at fair value through profit or loss	1,928,068.11	13,063,411.11	-85.24
Accounts receivable	2,284,110,490.57	1,709,967,395.06	33.58
Other current assets	2,110,000,000.00	845,000,000.00	149.70
Long-term equity investments	48,721,494.05	78,062,223.23	-37.59
Other non-current assets	400,000,000.00	300,000,000.00	33.33
Short-term loans	9,405,840,118.77	6,746,671,403.20	39.41
Financial liabilities at fair value through profit or loss	20,822,888.30	181,241,917.70	-88.51
Employee benefits payable	152,103,347.90	35,838,830.14	324.41
Taxes payable	-1,634,697,438.25	-1,122,743,774.34	Not applicable
Interest payable	14,887,318.63	21,533,573.71	-30.86
Dividends payable	44,727,537.30	256,103,771.17	-82.54
Other payables	344,060,416.88	245,194,170.01	40.32
Non-current liabilities due within one year	5,181,200,000.00	1,777,500,000.00	191.49
Deferred income	55,701,591.71	260,320,055.21	-78.60
Deferred tax liabilities	747,213.57	2,310,530.93	-67.66

Reasons for the changes in income statement and cash flow statement:
Reason for change in operating income:the structural difference in production

Reason for change in operating cost:the structural difference in production

Reason for change in selling expenses:mainly due to provision made for maintenance fee according to the progress with the increase in shipbuilding income during the period, and increase in the write-back of ship maintenance fee for subsidiaries' ships for which the maintenance period has expired during the corresponding period of last year.

Reason for change in administrative expenses:manly due to the decrease in taxes.

Reason for change in finance cost:mainly due to the increase in exchange gains arising from change in exchange rates.

Reason for change in net cash flow from operating activities:mainly due to the increase in payment as the production and business volume increased.

Reason for change in net cash flow from investing activities:mainly due to the increase in wealth management products during the period and the payment of consideration for acquisition of 15% equity interest in CSSC Huangpu Wenchong Shipbuilding Company Limited ("Huangpu Wenchong") during the corresponding period of last year.

Reason for change in net cash flow from financing activities:mainly due to the increase in net borrowings.

Reason for change in research and development expenditure:the structural difference in research and development items.

Reasons for changes in items in balance sheet:

Reason for change in financial assets at fair value through profit or loss: mainly due to the decrease in the value of outstanding forward exchange contracts as at the end of the period.

Reason for change in accounts receivable: mainly due to the increase in ship-related receivables during the period.

Reason for change in other current assets: mainly due to the increase in wealth management products due within one year of Huangpu Wenchong and Guangzhou Shipyard International Company Limited ("GSI"), both subsidiaries of the Company.

Reason for change in long-term equity investments: mainly due to the disposal by Huangpu Wenchong, a subsidiary of the Company, of BaiyinSanfeng, a joint venture.

Reason for change in other non-current assets: mainly due to the increase in wealth management products of Huangpu Wenchong and GSI, both subsidiaries of the Company.

Reason for change in short-term loans: increase in borrowings denominated in USD.

Reason for change in financial liabilities at fair value through profit or loss: mainly due to the decrease in the value of outstanding forward exchange contracts as at the end of the period.

Reason for change in employee benefits payable: mainly due to the monthly provision of year-end bonus by subsidiaries.

Reason for change in taxes payable: mainly due to the increase in input tax during the period.

Reason for change in interest payable: mainly due to the decrease in interest rate of loans.

Reason for change in dividends payable: mainly due to the payment by Huangpu Wenchong, a subsidiary, of gain or loss attributable to original shareholders for the period before completion.

Reason for change in other payables: mainly due to the increase in deposit and business dealings of the Company during the period.

Reason for change in non-current liabilities due within one year: mainly due to the increase in long-term loans due within one year.

Reason for change in deferred income: mainly due to reclassification of items relating to assets.

Reason for change in deferred tax liabilities: mainly due to the decrease in financial assets at fair value through profit or loss during the period.

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

Unit: RMB

Item	Reporting Period	Corresponding period of last year	Change (%)	Reason for change
Business tax and surcharges	11,239,441.71	8,389,291.14	33.97	Increase in turnover tax payable
Finance cost	9,665,504.45	39,589,871.47	-75.59	Increase in exchange gains arising from change in exchange rates
Loss on impairment of assets	75,346,825.42	230,127,890.25	-67.26	Decrease in expected contractual loss with continuous depreciation of Renminbi
Gain on change in fair value	149,283,686.40	52,317,853.55	185.34	Increase in gain on fair value of forward exchange contracts arising from change in exchange rates
Investment income	-74,790,875.31	7,925,146.08	-1,043.72	Increase in loss on completion of forward exchange contracts arising from change in exchange rates
Non-operating expenses	5,189,356.38	1,219,283.81	325.61	Increase in loss on disposal of fixed assets during the period
Income tax expenses	23,834,214.63	-19,723,979.56	Not applicable	Increase in deferred income tax expenses
Other comprehensive income	-331,848.09	668,612.45	-149.63	Effect of change in fair value of available-for-sale financial assets

4.3 Particulars of the progress of business plan

Total industrial production value completed during the first half of 2016 was RMB11,748 million, representing a year-on-year increase of 2.13%. Shipbuilding and maintenance: amount of production value completed was RMB9,599 million, representing a year-on-year increase of 16.55%. Offshore engineering products: amount of production value completed was RMB1,629 million, representing a year-on-year decrease of 35.76%, as production for existing orders was close to completion. Electromechanical equipment: amount of production value completed was RMB522 million, representing a year-on-year decrease of 28.59%, attributable to the decrease in business volume as production for existing orders was close to completion.

4.4 Development plan for the second half of the year

Development plan for the second half of 2016: to realize industrial production value of RMB13,252 million and planned completion of 42 ships.

4.5 Information on principal businesses by product

Unit: RMB

Principal businesses by product

By product	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income over last year (%)	Increase/ decrease in operating cost over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Shipbuilding	8, 979, 697, 648. 66	8, 551, 559, 139. 96	4. 77	15. 31	9. 27	Increase of 5.26 percentage points
Offshore engineering products	1, 549, 804, 777. 13	1, 336, 593, 081. 40	13. 76	−31. 96	−32. 91	Increase of 1.23 percentage points
Ship maintenance	64,847,696.56	56,933,314.16	12.20	-1.20	-9.95	Increase of 8.52 percentage points
Steel structure engineering	522,730,843.92	495,628,798.76	5.18	41.69	43.96	Decrease of 1.50 percentage points
Electromechanical products and others	125,434,218.63	87, 057, 483. 32	30. 60	-36.54	-53.89	Increase of 26.10 percentage points

During the Reporting Period, the Group's income from principal businesses amounted to RMB11,243 million, representing an increase of 5.09% compared with the corresponding period last year, and gross profit from principal businesses amounted to RMB715 million, representing an increase of 152.57% compared with the corresponding period last year. Revenue from shipbuilding was RMB8,980million, representing an increase of 15.31% compared with the corresponding period last year, mainly due to the increase in production capacity and in the number of ships under construction; revenue from offshore engineering products was RMB1,550 million, representing a decrease of approximately 31.96% compared with the corresponding period last year, mainly due to the decrease in offshore engineering products under construction; revenue from ship maintenancewas RMB65 million, representing a decrease of 1.20% compared with the corresponding period last year.For non-ship business, revenue from steel structure engineering during the period was RMB523 million, representing an increase of 41.69% compared with the corresponding period last year, mainly due to the significant progress made for the projectsduring the period; revenue from electromechanical products and othersduring the Reporting Period was RMB125 million, representing a decrease of 36.54%, mainly due to the decrease in sales volume of electromechanical products as a result of the sluggish market.

4.6 Principal businesses by region

Unit: RMB

Region	Operating income	Increase/decrease in operating income over last year (%)
China (including Hong Kong, Macau and Taiwan)	7,782,053,029.14	1.46
Other regions in Asia	909,385,935.29	144.07
Europe	1,992,704,245.97	-8.45
Oceania	4,909,606.65	-98.68
North America	452,776,095.15	587.61
Africa	100,686,272.70	138.59
Total	11,242,515,184.90	5.09

During the Reporting Period, income from the Group's principal business increased by 5.09% compared with the corresponding period of last year, among which, turnover in the PRC (including Hong Kong, Macau and Taiwan) increased by 1.46% compared with the corresponding period of last year,and its overseas revenue recorded an increase of 14.29% compared with the corresponding period of last year. The Company will actively responded to the adverse impacts of slow recovery of the ship building market and go all out to develop domestic and overseas market.

4.7 Analysis of investment status

4.7.1 Information on equity investments

During the Reporting Period, the balance of equity investments of the Company was RMB48,721,500, representing a decrease of 37.59% compared with RMB78,062,200 as at the beginning of the year, mainly due to the disposal of equity interest inBaiyinSanfengWenchuan Environmental Protection Power Generation Co., Ltd. by Guangzhou Wenchong ShipyardCo., Ltd.（"Wenchong Shipyard"）, a subsidiary of the Company.

4.8 Information on use of funds raised

Unit:Yuan Currency:RMB

Year of fund raising	Method of fund raising	Total proceeds raised	Total proceeds utilised during the Reporting Period	Total accumulated proceeds that have been utilised	Total proceeds that have been not utilised	Planned use and status of proceeds that have been not utilised
2015	Non-public issuance	1,607,882,382.42	91,310,648.53	1,401,647,713.72	139,725,578.85	Unutilized funds raised were temporarily deposited in the special account for funds raised of Huangpu Wenchong as account holder.
Total	/	1,607,882,382.42	91,310,648.53	1,401,647,713.72	139,725,578.85	/
Overall description of use of proceeds	As approved by the China Securities Regulatory Commission through the Reply for Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing (ZhengJianXuKe [2015] No. 330), the Company issued through private placement 42,559,089 A Shares to 7 specific investors at an issue price of RMB37.78 each, raising total proceeds of RMB1,607,882,382.42 and net proceeds of RMB1,541,373,292.57, net of underwriting commission and other issue expenses of RMB66,509,089.85. Of the raised proceeds, RMB104,959,959.97 was utilised for replenishment of the working capital of COMEC, and the special account established for such part of proceeds was closed in May 2015; RMB680,408,300.00 was utilised for payment to China State Shipbuilding Corporation ("CSSC")as the consideration for 15% equity interest in Huangpu Wenchong during the restructuring, and the special account established for such part of proceeds was closed in May 2015; RMB333,836,243.90 was utilised for replenishment of the working capital of GSI Yangzhou Co., Ltd. ("GSI Yangzhou") for utilisation of the shipbuilding assets of former Yangzhou Kejin Shipyard Co., Ltd., and the special account established for such part of proceeds was closed in May 2015; RMB42,168,788.70 was utilised for replenishment of the working capital of Huangpu Wenchong, and the special account established for such part of proceeds was closed in August 2015; RMB240,274,421.15 was utilised for replenishment and improvement of maritime engineering equipment production facilities in Longxue Factory of Huangpu Wenchong; and the remaining proceeds of RMB139,725,578.85 was not utilised yet and temporarily deposited in a special account established under the name of Huangpu Wenchong and a wealth management product account maintained at China CITIC Bank Corporation Limited. On 27 November 2015, Huangpu Wenchong purchased Zhiying Series Renminbi Structured Wealth Management Products issued by China CITIC Bank Corporation Limited with RMB210 million out of its temporarily unutilised proceeds raised. So far the Zhiying Series Renminbi Structured Wealth Management Products purchased by Huangpu Wenchong on 27 November 2015 (No. C15EQ0121, No. C15EQ0115, No. C15EQ0122 and No. C15EQ0123) had expired on 30 December 2015, 1 March 2016, 25 March 2016 and 25 May 2016, respectively, and the principal amount and					

interest had been repaid as scheduled, with investment income totalling RMB1,914,610.95. On 8 and 11 April 2016, Huangpu Wenchong purchased CITIC Xinying Series Bu BuGao Sheng No. 4 Renminbi Wealth Management Products (for Institutions Only), a floating income product with guaranteed principal repayment issued by China CITIC Bank Corporation Limited, with RMB50 million and RMB55 million, respectively, out of its temporarily unutilised proceeds raised. To date the CITIC Xinying Series Bu BuGao Sheng No. 4 Renminbi Wealth Management Products (for Institutions Only) purchased by Huangpu Wenchong on 8 and 11 April 2016, respectively, have been redeemed, and the principal amount and interest had been repaid as scheduled, with investment income totalling RMB942,657.54. On 11 August 2016, Huangpu Wenchong purchased CITIC Gongying Principal-protected Renminbi Wealth Management Products (Tranches 1647 and 1648), a floating income product with guaranteed principal repayment issued by China CITIC Bank Corporation Limited with maturity of 14 September 2016 and 11 November 2016, respectively, with RMB30 million and RMB50 million, respectively, out of its temporarily unutilised proceeds raised.(For details of the wealth management products purchased with proceeds raised, please refer to the announcements of the Company dated 13 November 2015, 30 November 2015, 31 December 2015, 1 March 2016, 25 March 2016, 12 April 2016, 25 May 2016, 1 August 2016 and 12 August 2016, respectively, on the websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company)

4.9 Information of projects financed by funding other than proceeds raised

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

§5 SIGNIFICANT EVENTS

5.1 Assets transactions and merger of enterprises

5.1.1 Assets disposed of

Unit:in RMB ten thousandCurrency:RMB

Counterparty	Assets disposed of	Date of disposal	Selling price	Net profit contributed to the Company by the assets during the period from the beginning of the year to the date of disposal	Gain or loss on disposal	Whether connected transaction (if yes, state pricing principle)	Pricing principle for disposal of assets	Whether transfer of all related assets is completed	Whether transfer of all related creditor's rights and indebtedness is completed	Net profit contributed to the Company by the assets as a percentage of total profit (%)	Relationship
Chongqing Caixin Environment Resources Co., Ltd.	50% equity interest in BaiyinSanfengWenchuan Environmental Protection Power Generation Co., Ltd.	2016.4.11	5,780	2,689.62	2689.62	No	Listing for sale upon valuation	Yes	Yes	29.84	

Note on assets disposed of

BaiyinSanfengWenchuan Environmental Protection Power Generation Co., Ltd. was established in April 2013, with RMB30 million contributed by Wenchong Shipyard, holding its 50% equity interest. In December 2015, Wenchong Shipyard listed its 50% equity interest in BaiyinSanfengWenchuan Environmental Protection Power Generation Co., Ltd. for sale at the Chongqing Assets and Equity Exchange, and Chongqing Caixin Environment Resources Co., Ltd. successfully won the bid at a consideration of RMB57.80 million. An equity transfer agreement was entered into by the parties on 29 March 2016, and the equity transfer was completed on 11 April 2016. Wenchong Shipyard has received the consideration in full in cash.

5.2 Profit distribution and cash dividend policy

5.2.1 Implementation of profit distribution proposal during the Reporting Period

As considered and passed at the annual general meeting of the Company for the year 2015 held on 27 May 2016, based on the total share capital of the Company of 1,413,506,378 shares, cash bonus of RMB0.3 (inclusive of tax) for every 10 shares held were distributed to all shareholders as dividends for the year of 2015, totalling RMB42,405,191.34 (inclusive of tax). The remaining undistributed profit will be carried forward to the next year. The Company did not increase its share capital by conversion of capital reserve in 2015. The distribution of dividends for A shares and H shares for the year 2015 was completed on 20 July 2016.

5.2.2 Profit distribution during the Reporting Period

The Company would not make profit distribution or issue new bonus shares by conversion of capital reserve for the first half of 2016.

5.3 Material litigations, arbitrations and matters commonly concerned by media

As for the case that the Company sued Jiangsu ShenghuaShipbuilding Company Limitedin relation to a dispute over technical service contract, and the case that Guangzhou GuangliShipbuilding Human Resource ServiceCompany Limited ("Guangzhou Guangli") sued Jiangsu Shenghua in relation to a dispute over the Contract for Installation Engineering of 1# and 2# 79,600DWT bulk carriers, Jiangsu Shenghua was declared bankrupt by Zhenjiang Intermediate Court in 2016. Following the suspension of execution of the case, the Company completed the filing of creditor's right and priority in receiving payment, and attended the first creditors' meeting of Jiangsu Shenghua. As the appraisal for the buildings and land use right owned by Jiangsu Shenghua had not been completed during the Reporting Period, the Company will attend the second creditors' meeting after the appraisal is completed and a new realization plan is available. Save as disclosed, as at 30 June 2016, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened against or by the Company so far as the Company is aware.

5.4 Entrustment, contracting and leasing matters

5.4.1 Leasing

Unit:RMB

Name of lessor	Name of lessee	Assets leased	Date of commencement of lease	Date of end of lease	Rental income	Impact of rental income on the Company	Whether connected transaction	Relationship
Guangzhou Shipyard Industrial	GSI	Land and buildings	2014.10.1	2017.12.31	-	-	Yes	Other related party
Guangzhou Shipyard Shipping	GSI	Land and buildings	2015.12.1	2017.12.31	-	-	Yes	Other related party
Guangzhou Ship Industrial Company	Huangpu Wenchong	Land and buildings	2014.5.1	-	-	-	Yes	Sister company of the Group
Guangzhou Ship Industrial	Wenchong Shipyard	Land and buildings	2014.5.1	-	-	-	Yes	Sister company of the Group

Company								
GSI Yangzhou	CSSC Chengxi	Land for industrial use, buildings and structures thereon and related ancillary facilities	2015.10.1	2016.12.31	127.76	Yes	Yes	Sister company of the Group
GSI	Chengxi Guangzhou	Land, buildings and equipment	2015.9.30	2035.9.29	-	Yes	Yes	Sister company of the Group

Description of leases

On 27 September 2014, the Company and Guangzhou Shipyard Industrial entered into a lease agreement, pursuant to which Guangzhou Shipyard Shipping shall lease three parcels of land currently for industrial use located at Heliwei, Fangcun Main Road, Liwan District, Guangzhou, 29 Donglang Market Street, Fangcun Main Road, Liwan District, Guangzhou and south to Heliwei, Fangcun Main Road, Liwan District, Guangzhou, with a total site area of 108,939 sq.m., and buildings and structures thereon to the Company for a term of 39 months commencing on 1 October 2014. According to the relevant agreements, the aforesaid Lease Agreement continued to be performed. For details, please refer to the announcement published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (comec.cssc.net.cn) on 12 December 2014.

On 9 November 2015, GSI and Guangzhou Shipyard Shipping entered into the Lease Agreement, pursuant to which Guangzhou Shipyard Shipping shall lease a parcel of land for industrial use for the technical centre building located at 40 South Fangcun Main Road, Liwan District, Guangzhou City with a total site area of 393,793 sq.m. and buildings and structures thereon to GSI for a term of 25 months commencing on 1 December 2015. According to the relevant agreements, the aforesaid Lease Agreement continued to be performed. For details, please refer to the announcement published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (comec.cssc.net.cn) on 16 December 2015.

In January 2015, Guangzhou Ship Industrial Company and Huangpu Wenchong entered into a land use right lease agreement, pursuant to which it shall lease the land use right owned by it in relation to the Changzhou Plant to Huangpu Wenchong for use in operation. The rent for the land use right shall be determined in the principle of asset depreciation, amortisation and taxes and fees and shall be checked and confirmed by the parties on an annual basis. The rent for the period from January to June 2016 is RMB4,626,000, and the annual rent for the year 2016 will be paid in monetary fund by 5 November 2016. The term for the aforesaid lease of land use right will commence on 1 May 2014 and end on the date on which the relocation of Huangpu Wenchong from the Changzhou Plant is completed and commences formal production in its new plant.

In January 2015, Guangzhou Ship Industrial Company and Wenchong Shipyard entered into a lease agreement in relation to land use right and buildings and structures erected thereon, pursuant to which it shall lease the land use right in relation to certain land in the Wenchong Plant and buildings and structures erected thereon owned by it to Wenchong Shipyard for use in operation. The rent for the land use right shall be determined in the principle of asset depreciation, amortisation and taxes and fees and shall be checked and confirmed by the parties on an annual basis. The rent for the period from January to June 2016 is RMB3,390,000, and the annual rent for the year 2016 will be paid in monetary fund by 5 November 2016. The term for the aforesaid lease of land use right, buildings and structures will commence on 1 May 2014 and end on the date on which the relocation Wenchong Shipyard from the Wenchong Plant is completed and commences formal production in its new plant.

On 22 December 2015, GSI Yangzhou and CSSC Chengxi entered into the Assets Lease Agreement, pursuant to which four parcels of land for industrial use located at the Ship Industrial Park, Yanjiang Development Zone, Daqiao Town, Jiangdu District, Yangzhou City with a total site area of 624,747.9 sq.m., buildings and structures thereon and related ancillary facilities to CSSC Chengxi for a term of 15 months commencing on 1 October 2015. For details, please refer to the announcement disclosed by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company（comec.cssc.net.cn）on 22 December 2015.

On 18 December 2015, GSI and Chengxi Guangzhou entered into a property lease framework agreement in relation to the dormitory for workers of CSSC Longxue base (stage 1 of phase I), pursuant to which the new worker’s village located in Longxue Island, Nansha District, Guangzhou was leased to Chengxi Guangzhou as staff dormitory. It was agreed that the rent shall be settled on a quarterly basis and the lease shall have a term of 20 years commencing on 30 September 2015. Under the aforesaid framework agreement and based on the actual use of the dormitory (including utilities expenses), the rent for such staff dormitory for the period from January to June 2016 was approximately RMB6,690,000 in total.

5.4.2 Guarantee

Unit:RMB

<table>
<tr><td colspan="14">External guarantees by the Company (excluding guarantees for its subsidiaries)</td></tr>
<tr><th>Guarantor</th><th>Relationship between guarantor and the Company</th><th>Guarantee</th><th>Amount of guarantee</th><th>Date of guarantee (date of signing of agreement)</th><th>Guarantee Date of commencement</th><th>Guarantee Date of expiry</th><th>Type of guarantee</th><th>Whether fully executed</th><th>Whether guarantee is overdue</th><th>Overdue amount</th><th>Existence of counter guarantee</th><th>Whether provided for related party</th><th>Relationship</th></tr>
<tr><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="8">Total amount of guarantee during the Reporting Period (excluding guarantees for the subsidiaries)</td><td colspan="6">0</td></tr>
<tr><td colspan="8">Total balance of guarantee as at the end of the Reporting Period (A) (excluding guarantees for the subsidiaries)</td><td colspan="6">0</td></tr>
<tr><td colspan="8">Guarantees provided by the Company for its subsidiaries</td><td colspan="6"></td></tr>
<tr><td colspan="8">Total amount of guarantees provided for its subsidiaries during the Reporting Period</td><td colspan="6">-</td></tr>
<tr><td colspan="8">Total balance of guarantees provided for its subsidiaries during the Reporting Period (B)</td><td colspan="6">2,550,120,000.00</td></tr>
<tr><td colspan="14">Total amount of guarantees provided by the Company (including those provided for its subsidiaries)</td></tr>
<tr><td colspan="8">Total amount of guarantees (A+B)</td><td colspan="6">2,550,120,000.00</td></tr>
<tr><td colspan="8">Total amount of guarantees as a percentage of the Company’s net assets (%)</td><td colspan="6">24.59</td></tr>
<tr><td colspan="8">Including:</td><td colspan="6"></td></tr>
<tr><td colspan="8">Amount of guarantees provided for shareholders, actual controller and related parties (C)</td><td colspan="6">-</td></tr>
<tr><td colspan="8">Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)</td><td colspan="6">-</td></tr>
<tr><td colspan="8">Total amount of guarantees in excess of 50% of net assets (E)</td><td colspan="6">-</td></tr>
<tr><td colspan="8">Sum of the above three guarantees (C+D+E)</td><td colspan="6">-</td></tr>
<tr><td colspan="8">Description of outstanding guarantees which may incur several and joint liability</td><td colspan="6">Not applicable</td></tr>
<tr><td colspan="6">Notes on guarantees</td><td colspan="8">During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB2,550 million, which were either provided by the Group for its subsidies or by them to their own subsidiaries. The balance of guarantee provided by COMEC for GSI amounted to RMB500 million, the balance of guarantee provided by Huangpu Wenchong for Wenchong Shipyard amounted to RMB1,550 million, and the balance of guarantee provided by Wenchong Shipyard for Huangpu Wenchong amounted to RMB500 million. The cap for the proposed guarantee between the Company and its subsidiaries for the year 2016 and their amounts have not been exceeded.</td></tr>
</table>

5.5 Entrusted wealth management products, entrusted loans and investment in derivatives

5.5.1 Entrusted wealth management products

Unit:RMB

Name of cooperation party	Type of entrusted wealth management products	Amount of entrusted wealth management products	Date of commencement of entrusted wealth management products	Date of expiry of entrusted wealth management products	Method of determination of remuneration	Expected earnings	Principal amount recovered	Gains obtained	Whether statutory procedures have been performed	Amount of provision made for impairment	Whether connected transaction	Whether involving lawsuit	Source of funding and whether raised	Relationship
CSSC Finance	Entrusted assets	1,000,000,000	2016/5/4	2016/10/10	One-off recovery of principal and interest upon maturity	13,068,493.15	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	200,000,000	2016/6/17	2018/6/17	One-off recovery of principal and interest upon maturity	16,600,000.00	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	110,000,000	2015/7/3	2016/8/14	One-off recovery of principal and interest upon maturity	5,533,150.68	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	390,000,000	2015/7/3	2016/11/14	One-off recovery of principal and interest upon maturity	24,041,095.89	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	205,000,000	2014/12/29	2016/12/29	One-off recovery of principal and interest upon maturity	20,528,082.19	0	0	Yes	-	Yes	No	No	Sister company of the Group

CSSC Finance	Entrusted assets	300,000,000	2014/12/29	2017/6/21	One-off recovery of principal and interest upon maturity	37,191,780.82	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	200,000,000	2016/6/17	2018/6/17	One-off recovery of principal and interest upon maturity	16,600,000.00	0	0	Yes	-	Yes	No	No	Sister company of the Group
Total	/	2,405,000,000	/	/	/	133,562,602.73	0	0	/		/	/	/	

Total principal and interest overdue unrecovered (RMB)	0
Description of entrusted wealth management products	Huangpu Wenchong and GSI have utilised surplus capital of RMB2,405 million in entrusted asset management, which mainly represents low rick products such as central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bills, medium-term notes, bank financial products, brokerage asset management plan, money funds, bond funds and deposits, and generates return higher than income from bank deposit for the same period while having their risk under control. Based on past cooperation experiences, CSSC Finance makes prudent investments and has not been unable to make payment at lowest annual rate of return.

5.5.2 Entrusted loans

Information on entrusted loans

Unit:RMB

Name of borrower	Amount of entrusted loan	Term of loan	Interest rate of loan	Use	With collateral or guarantor	Whether overdue	Whether connected transaction	Whether extended	Whether involving lawsuit	Source of funding and whether raised	Relationship
Zhongshan GSI Marine Engineering Company Limited	320,000,000.00	2014.8.13-2018.5.25	0	Infrastructure and research and development expenses	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary
Guangzhou United Steel Structures Limited	50,000,000.00	2016.5.5-2017.5.4	4.00 %	Replenishment of working capital	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	15,000,000.00	2014.10.21-2016.10.20	1.50 %	Infrastructure item	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary
Guangzhou Shipyard	500,000,000.00	2012.6.20-2022.6.15	5.25 %	Production and operation	COMEC	No	Yes	No	No	Proceeds from issue of medium-term	Wholly-owned subsidiary

International Company Limited										notes by the Group	
Guangzhou Shipyard International Company Limited	600,000,000.00	2012.7.18-2019.7.15	5.00 %	Production and operation	None	No	Yes	No	No	Proceeds from issue of medium-term notes by the Group	Wholly-owned subsidiary
Guangzhou Shipyard International Company Limited	500,000,000.00	2012.7.18-2019.7.15	5.00 %	Production and operation	None	No	Yes	No	No	Proceeds from issue of medium-term notes by the Group	Wholly-owned subsidiary
Guangzhou Shipyard International Company Limited	500,000,000.00	2015.10.28-2016.10.11	3.00 %	Production and operation	None	No	Yes	No	No	Short-term financing raised by the Group	Wholly-owned subsidiary
Guangzhou Shipyard International Company Limited	500,000,000.00	2015.10.28-2016.10.11	3.00 %	Production and operation	None	No	Yes	No	No	Short-term financing raised by the Group	Wholly-owned subsidiary
CSSC Huangpu	500,000,000.00	2012.7.18-2019.7.15	5.00 %	Production and	Wenchong Shipyard	No	Yes	No	No	Proceeds from issue of	Wholly-owned

Wenchong Shipbuilding Company Limited				operation						medium-term notes by the Group	subsidiary
CSSC Huangpu Wenchong Shipbuilding Company Limited	1,000,000,000.00	2015.10.28-2016.10.11	3.00%	Production and operation	None	No	Yes	No	No	Short-term financing raised by the Group	Wholly-owned subsidiary
Guangzhou Wenchong Shipyard Co., Ltd.	500,000,000.00	2012.7.18-2019.7.15	5.00%	Production and operation	Huangpu Wenchong	No	Yes	No	No	Proceeds from issue of medium-term notes by the Group	Wholly-owned subsidiary
Guangzhou Wenchong Shipyard Co., Ltd.	100,000,000.00	2016.3.17-2016.12.9	2.90%	Production and operation	None	No	Yes	No	No	Short-term financing raised by the Group	Wholly-owned subsidiary
Guangzhou Wenchong Heavy Industrial Co., Ltd.	30,000,000.00	2014.9.15-2016.9.14	0.00%	Production and operation	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary
Guangzhou	20,000,000.00	2015.12.22-2017.12.21	4.75%	Production and	None	No	Yes	No	No	Advances received from	Wholly-owned

Wenchong Heavy Industrial Co., Ltd.	operation	shipbuilding contracts	subsidiary

Description of entrusted loans

As at the end of June 2016, the balance of entrusted loans amounted to RMB5,135 million.

In order to break the bottleneck for insufficient production resources, GSI entrusted Industrial and Commercial Bank of China and CSSC Finance, as the trustee financial institutions, to provide entrusted loan of RMB320 million to Zhongshan GSI Marine Engineering Company Limited, mainly for use in the construction of Zhongshan base. For the period from August 2012 to 30 June 2016, GSI provided 25 entrusted loans with a total amount of RMB870 million to Zhongshan GSI Marine Engineering Company Limited, and RMB550 million had become due and been repaid. The entrusted loans were in fact GSI's investments in fixed assets and intangible assets (land use right), being the future non-ship business base, and free of capital risks.

In May 2016, a trusted loan of RMB50 million was provided to Guangzhou United Steel Structures Limited, a wholly-owned subsidiary of GSI, through CSSC Finance, for payment of material purchases. Guangzhou United Steel Structures Limited undertook a natural gas project in Cameron and a chemical project of Fluor, and it had insufficient self-owned funds for such capital-intensive projects, there are no capital risks.

In 2014, an entrusted loan of RMB15 million was provided to Guangchuan Large-scale Machinery and Equipment Company Co., Ltd., a wholly-owned subsidiary of GSI, through CSSC Finance for payment for infrastructure projects as it had insufficient funds to pay for share of infrastructure expenses for a machinery processing centre. Guangchuan Large-scale Machinery and Equipment Company Co., Ltd. has high-quality shipbuilding assets and there are no capital risks.

With CSSC Finance as the trustee financial institution, GSI applied to CSSC for 5 entrusted loans with an accumulative amount of RMB2,600 million, which in fact aimed to support the operation and development of the Company, free of capital risks.

Huangpu Wenchong had no sufficient funds due to the time notes, and given that the industrial park project of Longxue factory zone was developed and it was required to pay the land use fee for Longxue base in the second half of 2012. Therefore, it applied to CSSC for entrusted loan of RMB500 million, among which RMB450 million was used for production and operation and RMB50 million was used for the industrial park product. The method of guarantee was mutual guarantee with Wenchong Shipyard with an amount of RMB500 million and with no guarantee fees. With CSSC Finance as the trustee financial institution, Huangpu Wenchong applied to CSSC for an entrusted loan with an amount of RMB1 billion, which was utilised to prepay the loans denominated in United States dollars with relatively high exchange risk exposure and free of capital risks.

With CSSC Finance as the trustee financial institution, Wenchong Shipyard applied to CSSC for a total of 2 entrusted loans with an accumulative amount of RMB600 million, which in fact aimed to support the operation and development of the Company, free of capital risks.

With CSSC Finance as the trustee financial institution, Wenchong Shipyard provided entrusted loans with an accumulative amount of RMB50 million for Wenchuan Heavy Industrial, a wholly-owned subsidiary of Wenchong Shipyard, for its daily production and operation. The entrusted loan in fact aims to support the operation and development of Wenchuan Heavy Industrial for the on-board component processing business, free of capital risks.

5.5.3 Investment in derivatives

Unit:RMB

Type of investment	Source of funding	Contracting party	Percentage of investment	Term of investment	Type of products	Expected earnings	Gains or losses on investments	Whether involving lawsuit
USD forward exchange settlement	Product export contracts	Banks, finance companies		Within 3 years	Forward exchange settlement	-16,622,700.00	-152,763,400.00	No
Euro forward exchange purchase	Ship export contracts	Banks, finance companies		Within 3 years	Forward exchange purchase	1,787,000.00	23,316,332.56	No
USD option portfolios	Ship export contracts	Banks		Within 3 years	Option portfolios	-4,170,970.00	-2,424,000.00	No

Description of investment in derivatives

In order to prevent exchange risks, the Group entered into forward foreign exchange trading contracts (forward exchange purchase and settlement) and foreign trade exchange option portfolios. As at the end of theReporting Period, the Group had a total of 4 outstanding forward USD settlement foreign exchange contracts with total amount of US$53,000,000 and latest settlement date of 25 December 2017, and recognised gains on change in fair value of RMB-16,514,600 as at the end of the Reporting Period; the Group had one outstanding forward Euro purchase contract with amount of EUR5 million and settlement date of 26 July 2016, and recognised gains on change in fair value of RMB1,781,600 as at the end of the Reporting Period; the Group had a total of 3 outstanding option portfolios with total amount of US$17,420,000 and latest settlement date of 29 July 2016, and recognised gains on change in fair value of RMB-4,161,800 as at the end of the Reporting Period.

5.6 Notes on other significant events

5.6.1 Details of charges on the assets of the Group

As at 30 June 2016, an amount of RMB 115million andUSD 1.039 billion of the Company's deposits had been applied as charge for long-term and short-term borrowings. Save for pledged bank fixed deposit and right of receiving payments from ship, no other assets of the Company were charged.

5.6.2 Gearing ratio

As at 30 June 2016, the Group's gearing ratio (total liabilities/total assets x 100%) was 79.57% (as at the beginning of the Reporting Period: 78.84%).

5.6.3 Repurchase, disposal or redemption of securities of the Company

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

§6 Corporate Governance Report

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

6.1 Corporate governance

The Company kept improving its corporate governance structure in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations issued by the China Securities Regulatory Commission and the requirements of the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. To date, the Company's governance had no material difference from the Company Law and relevant regulations of China Securities Regulatory Commission. During the six months ended 30June 2016, the Company has applied the codes set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has complied with all the code provisions, save as deviations as follows:

6.1.1 For the purpose of Code Provision A.6.7 of the CG Code, Mr. Chen Zhongqian, Mr. Xiang Huiming and Mr. Zhou Dusheng, being executive Directors, Mr. Yang Li, Mr. Wang Guozhong and Mr. Wang Jun, being non-executive Directors, and Mr. Wang Yichu and Mr. Min Weiguo, being independent non-executive Directors, were unable to attend the annual general meeting of the Company for the year 2015 held on 27 May 2016 for work reason,and Mr. Chen Zhongqian and Mr. Xiang Huiming, being executive Directors, Mr. Yang Li and Mr. Wang Guozhong, being non-executive Directors, and Mr. Min Weiguo, being independent Director, were unable to attend the extraordinary general meeting of the Company for the year 2016 held on 10 August 10 for work reason.

6.1.2 As Mr. Zhou Dusheng, an executive Director, and Mr. Wang Jun, a non-executive Director, resigned on 24 June 2016, the Company had the following non-compliance with the CG Code:

Following the resignation of Mr. Wang Jun with effect from 24 June 2016, there has been a vacancy for one member of the Audit Committee, failing to meet the requirement that an audit committee shall have at least three membersfor the purpose of Rule 3.21 of the Listing Rules.

On 10 August 2016, the Company held the first extraordinary general meeting for the year 2016, at which the resolution to elect Mr. Chen Liping as an executive Director and appoint him as a member of the Audit Committee was considered and passed. As such, the Company has resumed compliance with the CG Code and the Listing Rules.

6.2 Securities Transactions by Directors

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

6.3 Meetings of the Board

To date a total of five meetings (including three meetings held in writing) were held by the Board. All directors attended these meetings (including attendance by proxy).

In addition, the Audit Committee held two meetings to review issues including the annual report of the Company for the year 2015, the report of the internal control review and the first quarterly report for the year 2016; the Nomination Committee held two meetings to nominate Mr. Chen Liping as general manager of the Company and Mr. Chen Ji as candidate for executive Director of the eighth session of the Board; and the Emolument and Examination Committee held one meeting to receive and review the report on the remuneration of senior management of the Company for the year 2015. To date, the general meeting of the Company, the Board and the management performed their specific responsibilities and regulated corporate operation to ensure the true, accurate and complete disclosure of corporate information. Specialized committees of the Board carried out works in accordance with their respective duties, and independent non-executive Directors played an important role in the work of Board.

§7 SIGNIFICANT ASSET RESTRUCTURING

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

§8 FINANCIAL STATEMENTS

FINANCIAL STATEMENTS PREPARED ACCORDING TO ACCOUNTING STANDARDS OF THE PRC

(Amounts denominated in Renminbi unless otherwise specified)

Consolidated Balance Sheet

30 June 2016

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

Item	Ending balance	Beginning balance
Current assets:		
Cash and cash equivalents	17,185,278,346.39	17,664,365,754.92
Transaction settlement funds		
Placements with banks and non-bank financial		
Financial assets at fair value through profit and loss	1,928,068.11	13,063,411.11
Derivative financial assets		
Notes receivable	20,446,582.89	21,097,180.25
Accounts receivable	2,284,110,490.57	1,709,967,395.06
Prepayments	3,027,696,073.81	2,515,258,065.45
Insurance premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Interest receivable	205,461,252.57	192,335,788.34
Dividend receivable	635,116.05	635,116.05
Other receivables	658,711,133.56	694,376,182.24
Financial assets purchased under agreements to resell		
Inventories	10,737,120,603.84	10,742,673,543.44
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	2,110,000,000.00	845,000,000.00
Total current assets	36,231,387,667.79	34,398,772,436.86
Non-current assets:		
Loans and advances granted		
Available-for-sale financial assets	18,825,877.77	19,268,341.89
Held-to-maturity investments		
Long-term receivables	348,316,830.80	356,141,245.87
Long-term equity investments	48,721,494.05	78,062,223.23
Investment properties	23,194,431.92	23,508,788.00
Fixed assets	10,282,827,526.90	10,533,735,083.01
Construction in progress	889,761,332.16	731,737,560.48
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	2,028,923,099.03	2,056,652,662.93
Research and development cost		
Goodwill		

Long-term deferred expenses	16,659,868.42	20,711,576.42
Deferred tax assets	474,715,023.84	477,364,386.52
Other non-current assets	400,000,000.00	300,000,000.00
Total non-current assets	14,531,945,484.89	14,597,181,868.35
Total assets	50,763,333,152.68	48,995,954,305.21

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

Consolidated Balance Sheet (Continued)

30 June 2016

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

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term loans	9,405,840,118.77	6,746,671,403.20
Loan from central bank		
Deposits from customers and other banks		
Placements from banks and other financial		
Financial liabilities at fair value through profit and loss	20,822,888.30	181,241,917.70
Derivative financial liabilities		
Notes payable	1,860,252,195.20	2,364,995,314.53
Accounts payable	7,342,947,747.61	6,735,387,372.25
Advances from customers	644,900,554.11	627,518,169.05
Securities sold under agreements to repurchase		
Handing charges and commissions payable		
Employee benefits payable	152,103,347.90	35,838,830.14
Taxes payable	-1,634,697,438.25	-1,122,743,774.34
Interest payable	14,887,318.63	21,533,573.71
Dividends payable	44,727,537.30	256,103,771.17
Other payables	344,060,416.88	245,194,170.01
Cession insurance premiums payable		
Provision for insurance contracts		
Brokerage for trading securities		
Brokerage for underwriting securities		
Liabilities classified as held for sale		
Non-current liabilities due within one year	5,181,200,000.00	1,777,500,000.00
Other current liabilities	9,020,359,875.45	12,090,184,240.88
Total current liabilities	32,397,404,561.90	29,959,424,988.30
Non-current liabilities:		
Long-term loans	5,967,757,000.00	6,690,567,600.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term employee benefits payable	283,516,327.85	286,730,158.80
Special payables	1,223,839,744.58	984,839,744.58
Estimated liabilities	465,295,715.91	443,104,113.90
Deferred income	55,701,591.71	260,320,055.21
Deferred tax liabilities	747,213.57	2,310,530.93
Other non-current liabilities		
Total non-current liabilities	7,996,857,593.62	8,667,872,203.42
Total liabilities	40,394,262,155.52	38,627,297,191.72

Owners' equity:		
Share capital	1,413,506,378.00	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	6,867,585,222.21	6,867,585,222.21
Less: Treasury shares		
Other comprehensive income	-60,498,573.91	-60,166,725.82
Special reserve	1,253,325.94	
Surplus reserve	943,767,421.48	943,767,421.48
General risk provision		
Undistributed profits	1,148,023,494.90	1,153,355,946.59
Total equity attributable to shareholders of the	10,313,637,268.62	10,318,048,242.46
Minority interest	55,433,728.54	50,608,871.03
Total equity	10,369,070,997.16	10,368,657,113.49
Total liabilities and equity	50,763,333,152.68	48,995,954,305.21

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

Balance Sheet of the Company

30 June 2016

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

Item	Ending balance	Beginning balance
Current assets:		
Cash and cash equivalents	173,636,505.36	3,725,827,025.99
Financial assets at fair value through profit and loss		1,597,147.55
Derivative financial assets		
Notes receivable	684,763.69	311,119.00
Accounts receivable	31,410,813.99	677,468,227.95
Prepayments	10,690,663.76	3,223,652,503.90
Interest receivable		69,002,234.43
Dividend receivable		47,600,000.00
Other receivables	2,571,116.64	3,476,271,808.07
Inventories	147,301,180.07	4,050,349,013.03
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		
Total current assets	366,295,043.51	15,272,079,079.92
Non-current assets:		
Available-for-sale financial assets		1,000,000.00
Held-to-maturity investments		
Long-term receivables	667,500,000.00	667,500,000.00
Long-term equity investments	8,532,958,687.34	6,203,078,728.58
Investment properties		23,508,788.00
Fixed assets	83,198,411.63	394,722,990.42
Construction in progress		205,913,567.86
Construction materials		
Disposal of fixed assets		
Productive biological assets		

Oil and gas assets		
Intangible assets	11,277,870.90	21,313,210.43
Development expenditure		
Goodwill		
Long-term deferred expenses	513,246.64	12,155,239.21
Deferred tax assets	20,000,000.00	20,000,000.00
Other non-current assets		
Total non-current assets	9,315,448,216.51	7,549,192,524.50
Total assets	9,681,743,260.02	22,821,271,604.42

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

Balance Sheet of the Company (Continued)

30 June 2016

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

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term loans	155,000,000.00	1,117,000,000.00
Financial liabilities at fair value through profit and loss		169,786,438.85
Derivative financial liabilities		
Notes payable	4,183,900.00	666,115,033.68
Accounts payable	84,959,950.37	2,949,424,645.21
Advances from customers	78,758,382.37	102,971,450.69
Employee benefits payable	43,913.01	19,231,876.14
Taxes payable	-24,897,274.30	-926,830,947.39
Interest payable	343,020.84	4,398,553.01
Dividends payable	42,579,537.30	174,345.96
Other payables	5,912,143.80	43,553,010.12
Liabilities classified as held for sale		
Non-current liabilities due within one year	482,500,000.00	549,000,000.00
Other current liabilities		6,152,425,858.57
Total current liabilities	829,383,573.39	10,847,250,264.84
Non-current liabilities:		
Long-term loans	30,000,000.00	2,720,500,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term employee benefits payable		50,876,069.79
Special payables	99,370,000.00	99,370,000.00
Estimated liabilities	5,032,564.64	229,399,586.26
Deferred income		218,225,166.74
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	134,402,564.64	3,318,370,822.79
Total liabilities	963,786,138.03	14,165,621,087.63

Owners' equity:		
Share capital	1,413,506,378.00	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	6,147,927,729.10	6,147,927,729.10
Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	453,894,266.30	453,894,266.30
Undistributed profit	702,628,748.59	640,322,143.39
Total equity	8,717,957,121.99	8,655,650,516.79
Total liabilities and equity	9,681,743,260.02	22,821,271,604.42

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

Consolidated Income Statement

From January to June 2016

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

Item	Current period	Corresponding
I. Total operating income	11,359,948,288.79	10,809,719,237.47
including: Operating income	11,359,948,288.79	10,809,719,237.47
Interest income		
Premium earned		
Handing charges and commissions payable		
II. Total operating costs	11,427,889,285.16	11,464,385,476.49
Including: Operating cost	10,635,670,335.59	10,505,677,087.10
Interest expenses		
Fee and commission expense		
Business tax and surcharges	11,239,441.71	8,389,291.14
Selling expenses	100,032,415.61	77,145,661.29
Administrative expenses	595,934,762.38	603,455,675.24
Finance cost	9,665,504.45	39,589,871.47
Loss on impairment of assets	75,346,825.42	230,127,890.25
Add: Gains from changes in fair values (loss expressed with "-	149,283,686.40	52,317,853.55
Investment income (loss expressed with "-")	-74,790,875.31	7,925,146.08
Including: Income from investment in associates and joint	659,270.82	152,528.55
Exchange gain (loss expressed with "-")		
III. Operating profit (loss expressed with "–")	6,551,814.72	-594,423,239.39
Add: Non-operating income	66,248,903.45	52,325,766.15
Including: Income from disposal of non-current assets	740,368.61	22,175.73
Less: Non-operating expenses	5,189,356.38	1,219,283.81
Including: Loss from disposal of non-current assets	5,026,795.10	430,799.46
IV. Total profit (loss expressed with "-")	67,611,361.79	-543,316,757.05
Less: Income tax expenses	23,834,214.63	-19,723,979.56
V. Net profit (net loss expressed with "-")	43,777,147.16	-523,592,777.49
Net profit attributable to shareholders of the Company	37,072,739.65	-524,993,554.11
Profit and loss attributable to minority interest	6,704,407.51	1,400,776.62
VI. Net other comprehensive income after tax	-331,848.09	668,612.45
Net other comprehensive income after tax attributable to owners of the Company	-331,848.09	668,612.45

(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		
1. Net liabilities or net assets movement due to re-measurement on defined benefit plan		
2. Share of other comprehensive income of investee that cannot be subsequently reclassified to profit and loss under equity		
(2) Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-331,848.09	668,612.45
1. Other comprehensive income classified to profit and loss in the future shared by investee accounted under equity method		
2. Gain/loss on fair value movement for available-for-sale financial assets	-331,848.09	668,612.45
3. Gain/loss on held-to-maturity investment re-classified into available-for-sale financial assets		
4. Effective portion of hedging gains and losses from cash flows		
5. Exchange differences from retranslation of foreign currency		
6. Others		
Net other comprehensive income after tax attributable to		
VII. Total comprehensive income	43,445,299.07	-522,924,165.04
Total comprehensive income attributable to owners of the Company	36,740,891.56	-524,324,941.66
Total comprehensive income attributable to minority interest	6,704,407.51	1,400,776.62
VIII. Earnings per share:		
(I) Basic earnings per share	0.0262	-0.3866
(II) Diluted earnings per share	0.0262	-0.3866

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

Income Statement of the Company

From January to June 2016

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

Item	Current period	Corresponding
I. Operating income	251,123,829.80	3,310,847,149.80
Less: Operating cost	244,088,870.22	3,526,509,434.37
Business tax and surcharges	707,593.94	1,275,157.00
Selling expenses	3,469,573.82	11,242,258.15
Administrative expenses	5,885,543.06	178,135,965.76
Finance cost	-3,903,659.90	984,991.84
Loss on impairment of assets	95,310.11	335,896,206.79
Add: Gains from changes in fair values (loss expressed with “-”)		27,128,716.11
Investment income (loss expressed with “-”)	93,600,910.09	-4,608,621.81
Including: Income from investment in associates and joint		256,914.03
II. Operating profit (Loss expressed with “-”)	94,381,508.64	-720,676,769.81
Add: Non-operating income	10,430,295.90	23,652,734.83

Including: Income from disposal of non-current assets		
Less: Non-operating expenses	100,008.00	278,453.26
Including: Loss from disposal of non-current assets		232,003.26
III. Total profit (loss expressed with "-")	104,711,796.54	-697,302,488.24
Less: Income tax expenses		-109,457,958.54
IV. Net profit (Net loss listed with "-")	104,711,796.54	-587,844,529.70
5. Net other comprehensive income after tax		
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		
1. Net liabilities or net assets movement due to re-measurement on defined benefit plan		
2. Share of other comprehensive income of investee that cannot be subsequently reclassified to profit and loss under equity method		
(2) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
1. Other comprehensive income classified to profit and loss in the future shared by investee accounted under equity method		
2. Gain/loss on fair value movement for available-for-sale financial assets		
3. Gain/loss on held-to-maturity investment re-classified into available-for-sale financial assets		
4. Effective portion of hedging gains and losses from cash flows		
5. Exchange differences from retranslation of foreign currency financial statements		
6. Others		
VI. Total comprehensive income	104,711,796.54	-587,844,529.70
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

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

Consolidated Cash Flow Statement

From January to June 2016

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

Item	Current period	Corresponding period
I. Cash flows from operating activities:		
Cash receipts from sale of goods and renderings of	8,147,137,570.24	8,507,332,545.03
Net increase in deposits from customers and deposits from		
Net increase in loans from central bank		

Net increase in placements from other financial		
Cash receipts of premium for direct insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from insurance policy holders and		
Net increase in disposal of financial assets at fair value through profit and loss		
Cash receipts of interest, fees and commission		
Net increase in placements from other financial		
Net increase in sales and repurchase operations		
Cash received from tax refund	285,555,572.06	634,473,823.41
Other cash receipts relating to operating activities	273,307,629.45	253,932,348.98
Sub-total of cash inflows from operating activities	8,706,000,771.75	9,395,738,717.42
Cash paid for goods purchased and services received	11,113,094,923.56	11,198,730,643.43
Net increase in loans and disbursement to customers		
Net increase in deposit with central bank and inter-banks		
Cash paid for claims of direct insurance contracts		
Cash paid for interest, fee and commission		
Cash paid for dividends of insurance policies		
Cash paid to and on behalf of employees	952,616,034.31	870,826,405.69
Payments of taxes	177,761,894.52	267,690,189.46
Other cash payments relating to operating activities	211,045,655.03	557,149,215.83
Sub-total of cash outflows from operating activities	12,454,518,507.42	12,894,396,454.41
Net cash flow from operating activities	-3,748,517,735.67	-3,498,657,736.99
II. Cash flows from investing activities:		
Cash receipts from disposal of investments	170,000,000.00	
Cash receipts from investment income	41,680,000.00	296,000.00
Net cash received from disposal of fixed assets, intangible	675,326.51	16,348.25
Net cash received from disposal of subsidiaries and other		
Other cash receipts relating to investing activities	5,649,226,846.42	4,696,321,240.31
Sub-total of cash inflows from investing activities	5,861,582,172.93	4,696,633,588.56
Cash paid to acquire fixed assets, intangible assets and	312,405,713.23	489,098,987.88
Cash paid to acquire investments	1,648,628,357.44	680,408,300.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other		
Other cash payments relating to investing activities	5,198,338,115.03	4,179,389,849.70
Sub-total of cash outflows from investing activities	7,159,372,185.70	5,348,897,137.58
Net cash flow from investment activities	-1,297,790,012.77	-652,263,549.02
III. Cash flows from financing activities:		
Cash receipt from receiving investments		1,541,373,292.57
Including: Cash received by subsidiaries from receiving		
Cash receipts from loans obtained	7,922,524,620.58	10,167,045,595.34
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities	39,000,000.00	100,456,014.39
Sub-total of cash inflows from financing activities	7,961,524,620.58	11,808,874,902.30
Cash paid for repayment of debts	2,754,359,509.51	9,220,246,698.15
Cash paid for dividend, profit appropriation or interest	468,573,598.64	233,312,259.25
Including: Dividends and profits paid to minority interest		

Other cash payments relating to financing activities		3,854,499.50
Sub-total of cash outflows from financing activities	3,222,933,108.15	9,457,413,456.90
Net cash flow from financing activities	4,738,591,512.43	2,351,461,445.40
IV. Effect of change in foreign exchange rate on cash and	118,016,880.45	3,574,784.78
V. Net increase in cash and cash equivalents	-189,699,355.56	-1,795,885,055.83
Add: Opening balance of cash and cash equivalents	9,232,645,596.18	8,341,435,741.37
VI. Closing balance of cash and cash equivalents	9,042,946,240.62	6,545,550,685.54

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

Cash Flow Statement of the Company

From January to June 2016

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

Item	Current period	Corresponding
I. Cash flows from operating activities:		
Cash receipts from sale of goods and renderings of	675,167,191.61	2,474,441,757.78
Cash received from tax refund	75,793,250.24	251,036,246.14
Other cash receipts relating to operating activities	10,980,186.17	23,768,791.26
Sub-total of cash inflows from operating activities	761,940,628.02	2,749,246,795.18
Cash paid for goods purchased and services received	998,225,500.75	5,821,078,459.91
Cash paid to and on behalf of employees	22,017,827.25	148,772,908.67
Payments of taxes	14,374,129.88	99,931,505.43
Other cash payments relating to operating activities	24,725,637.25	190,596,937.54
Sub-total of cash outflows from operating activities	1,059,343,095.13	6,260,379,811.55
Net cash flow from operating activities	-297,402,467.11	-3,511,133,016.37
II. Cash flows from investing activities:		
Cash receipts from disposal of investments		
Cash receipts from investment income	93,600,910.09	721,976.56
Net cash received from disposal of fixed assets,		16,348.25
Net cash received from disposal of subsidiaries and other		
Other cash receipts relating to investing activities	1,027,743,494.97	1,973,122,688.86
Sub-total of cash inflows from investing activities	1,121,344,405.06	1,973,861,013.67
Cash paid to acquire fixed assets, intangible assets and	1,079,560.00	80,893,498.96
Cash paid to acquire investments	3,367,252,991.39	1,437,413,332.60
Net cash paid for acquisition of subsidiaries and other		
Other cash payments relating to investing activities		312,272,000.00
Sub-total of cash outflows from investing activities	3,368,332,551.39	1,830,578,831.56
Net cash flow from investment activities	-2,246,988,146.33	143,282,182.11
III. Cash flows from financing activities:		
Cash receipt from receiving investments		1,541,373,292.57
Cash receipts from loans obtained		5,264,977,919.70
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities		67,456,014.39
Sub-total of cash inflows from financing activities		6,873,807,226.66
Cash paid for repayment of debts		5,081,029,672.26
Cash paid for dividend, profit appropriation or interest	6,174,375.00	61,829,761.85
Other cash payments relating to financing activities		3,552,293.41
Sub-total of cash outflows from financing activities	6,174,375.00	5,146,411,727.52

Net cash flow from financing activities	-6,174,375.00	1,727,395,499.14
IV. Effect of change in foreign exchange rate on cash and	14,467.81	6,219,186.06
V. Net increase in cash and cash equivalents	-2,550,550,520.63	-1,634,236,149.06
Add: Opening balance of cash and cash equivalents	2,724,187,025.99	3,702,545,149.25
VI. Closing balance of cash and cash equivalents	173,636,505.36	2,068,309,000.19

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

Notes to Consolidated Financial Statements

1. Basis for Preparation of Financial Statements

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

2. DECLARATION OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of information of the Company and the Group such as financial position as of 30 June 2016 and the results of operation and the cash flows from January to June 2016. The accounting policies prepared for the financial statements are consitent with the accounting policies applied in the prior year.

3. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following disclosed financial statement data, unless specifically noted, "Beginning Balance" refers to 1 January 2016; and "Ending Balance" refers to30 June 2016. "Current Period" refers to the period from 1 January 2016 to 30 June 2016; "Last Period" refers to the period from 1 January 2015 to 30 June 2015. The currency is in RMB.

1. Accounts receivable

Name of project	Ending balance	Beginning balance
Accounts receivable	2,324,917,334.61	1,747,486,656.26
Less: Provision for bad debts	40,806,844.04	37,519,261.20
Net amount	**2,284,110,490.57**	**1,709,967,395.06**

（1）Terms of sales on credit

Business	Terms of sales on credit
Shipbuilding	1 month after invoicing
Other Business	Normally 1 to 6 months

（2）Ageing analysis of accounts receivable

Ageing	Ending balance					Beginning balance				
	Book value		Provision for bad debts		Net amount	Book value		Provision for bad debts		Net amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Within 1 year	2,145,488,539.93	92.28	14,873,047.87	0.69	2,130,615,492.06	1,629,786,151.55	93.26	12,095,764.59	0.74	1,617,690,386.96
1-2 years	116,828,196.76	5.03	584,200.99	0.50	116,243,995.77	61,228,720.04	3.50	364,792.83	0.60	60,863,927.21
2-3 years	30,871,735.10	1.33	9,338,116.62	30.25	21,533,618.48	21,062,108.45	1.21	225,691.11	1.07	20,836,417.34
3-4 years	10,054,790.02	0.43	4,405,290.79	43.81	5,649,499.23	14,215,910.78	0.81	9,164,423.64	64.47	5,051,487.14
4-5 years	11,835,517.67	0.51	6,496,480.68	54.89	5,339,036.99	11,257,082.83	0.65	9,627,071.05	85.52	1,630,011.78
Over 5 years	9,838,555.13	0.42	5,109,707.09	51.94	4,728,848.04	9,936,682.61	0.57	6,041,517.98	60.80	3,895,164.63
Total	**2,324,917,334.61**	—	**40,806,844.04**	—	**2,284,110,490.57**	**1,747,486,656.26**	—	**37,519,261.20**	—	**1,709,967,395.06**

（3） Classification of accounts receivable by risks

Type	Ending balance					Beginning balance				
	Book value		Provision for bad debts		Net amount	Book value		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that are individually significant and are provided for bad debts separately										
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	30,351,826.50	1.31	29,334,016.50	96.65	1,017,810.00	28,926,460.22	1.65	28,926,460.22	100.00	0.00
Accounts receivablefor which bad debt provision is	2,294,565,508.11	98.69	11,472,827.54	0.50	2,283,092,680.57	1,718,560,196.04	98.35	8,592,800.98	0.50	1,709,967,395.06

Type	Ending balance					Beginning balance				
	Book value		Provision for bad debts		Net amount	Book value		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
made using percentage method										
Total	**2,324,917,334.61**	**—**	**40,806,844.04**	**—**	**2,284,110,490.57**	**1,747,486,656.26**	**—**	**37,519,261.20**	**—**	**1,709,967,395.06**

1） Accounts receivable that are individually insignificant but are provided for bad debts on individual basis as at the end of the period

Name of company	Book value	Amount of bad debts	Percentage (%)	Reasons for provision
THYSSENKRUPPMATERIALSHANDLING	9,232,619.76	9,232,619.76	100.00	Counterparty unable to pay due to financial difficulty
ASTALTD-KINGSTOWNST.VINCENTANDTHEGRENADINESC/O	5,280,093.00	5,280,093.00	100.00	Counterparty unable to pay due to financial difficulty
TENOVAAUSTRALIAPTYLTD	4,050,721.24	4,050,721.24	100.00	Difficult to recover
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	3,956,480.68	3,956,480.68	100.00	Counterparty unable to pay due to financial difficulty
WHL-Fonkwang	2,723,017.76	2,723,017.76	100.00	Long ageing and counterparty in operational difficulty
Chongqing YuandongFushi Electromechanical Company	1,912,380.00	894,670.00	46.78	Long ageing and counterparty in operational difficulty
Fuzhou Jujijia Electronic Technology Company	688,188.00	688,188.00	100.00	Long ageing and counterparty in operational difficulty
Guilin Hongyuan Elevators Company	398,250.00	398,250.00	100.00	Long ageing and counterparty in operational difficulty
Chongqing South Group Company	263,698.87	263,698.87	100.00	Long ageing and counterparty in operational difficulty
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Long ageing and counterparty in operational difficulty

Name of company	Book value	Amount of bad debts	Percentage (%)	Reasons for provision
HisenseRongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Long ageing and counterparty in operational difficulty
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long ageing and counterparty in operational difficulty
China Railway 12th Bureau Group Co., Ltd.	138,281.00	138,281.00	100.00	Long ageing and counterparty in operational difficulty
Chongqing Guangchuan Elevators Co., Ltd.	129,999.76	129,999.76	100.00	Long ageing and counterparty in operational difficulty
Chongqing Yicheng Property Co., Ltd.	123,465.32	123,465.32	100.00	Retention money that may be unable to recover
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Long ageing and counterparty in operational difficulty
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long ageing and counterparty in operational difficulty
Wuhan Yuji Property Co., Ltd.	105,500.00	105,500.00	100.00	Long ageing and counterparty in operational difficulty
16 other companies	557,056.27	556,956.27	100.00	Difficult to recover due to long ageing
Total	**30,351,826.50**	**29,334,016.50**	—	—

2） Accounts receivable for which bad debt provision is made using percentage method as at the end of the period

Name of portfolio	Book value	Percentage (%)	Amount of bad debts
Within 1 year	2,145,488,539.18	0.50	10,727,442.68
1-2 years	116,828,196.76	0.50	584,140.99
2-3 years	21,099,370.37	0.50	105,496.86
3-4 years	1,030,924.38	0.50	5,154.62
4-5 years	5,365,866.32	0.50	26,829.33
Over 5 years	4,752,611.10	0.50	23,763.06
Total	**2,294,565,508.11**	—	**11,472,827.54**

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

Provision for bad debts made during the period amounted to RMB3,344,011.84, and provision for bad debts recovered or reversed during the period amounted to RMB35,000.00.

(5) Accounts receivable written-off during the period

Name of company	Nature of accounts receivable	Amount written-off	Reason for writing-off	Whether arising from connected transaction
Guangzhou Weikang Coking Equipment Technology Co., Ltd.	Construction expenses	21,429.00	Unable to recover	No
Total		**21,429.00**		

(6) Top five accounts receivable at the end of period

Investee Name	Relationship with the Group	Amount	Ageing	Proportion (%)	Provision for bad debts Closing balance
Customer 1	Under common control of CSSC	276,811,435.18	Within 1 year	11.91	1,384,057.18
Customer 2	Third party	263,811,460.00	Within 1 year	11.35	1,319,057.30
Customer 3	Third party	187,955,040.00	Within 1 year	8.08	939,775.20
Customer 4	Third party	165,396,400.00	0-2 years	7.11	826,982.00
Customer 5	Third party	152,729,765.24	Within 1 year	6.57	763,648.83
Total		**1,046,704,100.42**		**45.02**	**5,233,520.51**

2. Accounts payable

(1) Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	5,967,726,799.62	5,294,699,709.50
Settlements for projects	485,216,486.22	317,751,893.10
Product settlement	391,592,530.63	489,885,334.50
Retention money	287,974,617.55	279,016,442.68
Other projects and labour services	210,437,313.59	354,033,992.47
Total	**7,342,947,747.61**	**6,735,387,372.25**

(2) Ageing analysis of accounts payable

As at the end of the period, the ageing analysis of accounts payable based on its invoice date are as follows:

Item	Ending balance	Beginning balance
Within 1 year	6,506,048,320.80	6,294,237,944.36
1-2 years	554,434,332.80	228,221,851.45
2-3 years	125,721,784.94	138,489,337.36
Over 3 years	156,743,309.07	74,438,239.08
Total	**7,342,947,747.61**	**6,735,387,372.25**

（3） Significant accounts payable aged over one year

Name of company	Closing balance	Including:Over 1 year	Reason for unsettlement or carrying forward
CSSC System Engineering Research Institute	419,637,000.00	111,502,600.00	Undue
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	358,637,485.44	7,839,100.00	Undue
China Shipbuilding Industry Corporation 704 Research Institute	167,326,510.00	5,671,760.00	Retention money
Shanghai Hangtai Technology Research Institute	158,485,000.00	27,885,000.00	Retention money
China Shipbuilding Industry Corporation 715 Research Institute	157,954,500.00	26,998,500.00	Retention money
China Shipbuilding Industry Corporation 707 Research Institute	121,635,880.00	32,322,028.00	Retention money
Eastern Shanghai Heavy Machinery Co., Ltd.	80,572,153.15	5,994,500.00	Undue
China Shipbuilding Industry Corporation 722 Research Institute	75,232,314.00	28,678,154.00	Retention money
Guangzhou Ship Industrial Company	28,993,424.37	4,078,434.77	Undue
Wuhan Marine Machinery Co., Ltd.,	27,967,500.00	4,740,500.00	Retention money
China Electronics Technology Group Corporation 54 Research Institute	19,245,000.00	1,336,000.00	Undue
Nanjing Panda Handa Technology Co., Ltd.	19,035,000.00	10,185,000.00	Retention money
Guangzhou Shipbuilding NanshaLongxue Construction Development Co., Ltd.	18,472,294.28	18,372,294.28	Construction expenses
Jiangsu Zhaosheng Air-conditioner Co., Ltd.	18,074,610.04	2,143,200.04	Undue
Anqing CSSC Diesl Engine Co., Ltd.	34,804,413.33	5,970,000.00	Undue
China Marine Power Co., Ltd.	33,913,228.00	2,502,000.00	Undue
Sandvik Mining and Construction Material Handing GmbH & Co KG	14,048,735.79	12,963,598.49	Undue
Shaanxi Diesel Engine Co., Ltd.	6,395,999.96	4,199,999.96	Retention money
Chongqing Gearbox Co., Ltd.	6,395,456.47	1,022,900.00	Retention

Name of company	Closing balance	Including:Over 1 year	Reason for unsettlement or carrying forward
			money
Jiangsu Nanji Machinery Co., Ltd.	4,899,392.87	1,582,285.87	Retention money
CSSC Southern China Ship Machinery Co., Ltd.	7,728,746.61	3,584,500.04	Undue
China Shipbuilding Industry Corporation 719 Research Institute	3,524,250.00	2,190,750.00	Retention money
Henan Diesel Engine Heavy Engineering Co., Ltd.	2,941,700.00	1,639,200.00	Undue
JingjiangNanyang Shipbuilding Company Limited	2,897,342.86	2,763,120.82	Undue
Guangzhou Life-saving Equipment Co., Ltd.	2,700,000.00	2,700,000.00	Undue
Huizhou Software (Shanghai) Co., Ltd.	2,450,082.60	2,450,082.60	Undue
Total	**1,793,968,019.77**	**331,315,508.87**	—

3. Undistributed profits

Current period

Item	Amount	Percentage (%)
Ending Balance of last year	**1,153,355,946.59**	
Add: Beginning adjustment to undistributed profits		
Including: Retrospective adjustment according to new accounting standards		
Including: accounting policy change		
Correction of significant previous errors		
Changes in business combination under common control		
Other adjustments		
Beginning Balance of current period	**1,153,355,946.59**	
Add: Net profit attributable to shareholders of the Company for current period	37,072,739.65	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
General risk provision made		
Dividends on ordinary shares payable	42,405,191.34	
Dividends on ordinary shares converted into share capital		
Ending balance of current period	**1,148,023,494.90**	

Last year

Item	Amount	Percentage (%)

Item	Amount	Percentage (%)
Ending Balance of last year	**1,310,184,662.42**	
Add: Beginning adjustment to undistributed profits		
Including: Retrospective adjustment according to new accounting standards		
Including: accounting policy change		
Correction of significant previous errors		
Changes in business combination under common control		
Other adjustments		
Beginning balance of current year	**1,310,184,662.42**	
Add: Net profit attributable to shareholders of the Company for the year	98,320,709.38	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
General risk provision made		
Dividends on ordinary shares payable	255,149,425.21	
Dividends on ordinary shares converted into share capital		
Ending Balance of current year	**1,153,355,946.59**	

4. Net current assets

Item	Ending balance	Beginning balance
Current assets	36,231,387,667.79	34,398,772,436.86
Less: Current liabilities	32,397,404,561.90	29,959,424,988.30
Net current assets	**3,833,983,105.89**	**4,439,347,448.56**

5. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	50,763,333,152.68	48,995,954,305.21
Less: Current liabilities	32,397,404,561.90	29,959,424,988.30
Total assets less current liabilities	**18,365,928,590.78**	**19,036,529,316.91**

6. Operating income & Operating cost

Item	Current period	Corresponding period of last year
Main operating income	11,242,515,184.90	10,697,708,511.19

Item	**Current period**	**Corresponding period of last year**
Other operating income	117,433,103.89	112,010,726.28
Total	**11,359,948,288.79**	**10,809,719,237.47**
Main operating cost	10,527,771,817.60	10,414,716,465.84
Other operating cost	107,898,517.99	90,960,621.26
Total	**10,635,670,335.59**	**10,505,677,087.10**

Gross profit

Item	**Current period**	**Corresponding period of last year**
Main operating income	11,242,515,184.90	10,697,708,511.19
Main operating cost	10,527,771,817.60	10,414,716,465.84
Gross profit	714,743,367.30	282,992,045.35

Revenue from building contracts

Item	**Current period**	**Corresponding period of last year**
Revenue from building contracts	10,529,502,425.79	10,065,488,135.21

(1) Main operation – by product

Product name	**Current period**	**Corresponding period of last year**
Operating income		
Shipbuilding	8,979,697,648.66	7,787,759,040.50
Off-shore engineering products	1,549,804,777.13	2,277,729,094.71
Ship maintenance	64,847,696.56	65,637,265.97
Steel structure engineering	522,730,843.92	368,915,503.50
Electromechanical products and others	125,434,218.63	197,667,606.51
Total	**11,242,515,184.90**	**10,697,708,511.19**
Operating cost		
Shipbuilding	8,551,559,139.96	7,826,069,114.38
Off-shore engineering products	1,336,593,081.40	1,992,369,470.57
Ship maintenance	56,933,314.16	63,221,527.10
Steel structure engineering	495,628,798.76	344,271,434.50
Electromechanical products and others	87,057,483.32	188,784,919.29
Total	**10,527,771,817.60**	**10,414,716,465.84**

(2) Main operation – by region

Region	Current period	Corresponding period of last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	7,782,053,029.14	7,669,965,485.67
Other regions in Asia	909,385,935.29	372,584,716.44
Europe	1,992,704,245.97	2,176,554,999.84
Oceania	4,909,606.65	370,554,537.21
North America	452,776,095.15	65,847,435.56
Africa	100,686,272.70	42,201,336.47
Total	**11,242,515,184.90**	**10,697,708,511.19**
Operating cost		
China (including Hong Kong, Macau and Taiwan)	7,211,133,120.41	7,054,698,919.28
Other regions in Asia	889,573,991.52	518,469,529.85
Europe	1,895,769,841.22	2,221,182,114.26
Oceania	4,022,527.98	440,643,106.99
North America	430,483,352.98	80,338,751.22
Africa	96,788,983.49	99,384,044.24
Total	**10,527,771,817.60**	**10,414,716,465.84**

(3) Other operating income and other operating cost

Product name	Current period	Corresponding period of last year
Other operating income		
Sales of materials	2,953,786.07	12,693,984.72
Sales of scrap materials	39,243,313.53	62,105,890.64
Service income	4,044,844.74	5,581,313.16
Rental income	41,489,805.74	6,618,431.19
Energy income	24,903,802.88	23,701,046.48
Others	4,797,550.93	1,310,060.09
Total	**117,433,103.89**	**112,010,726.28**
Other operating cost		
Sales of materials	5,008,261.07	11,426,222.86
Sales of scrap materials	29,600,288.68	47,912,456.03
Service income	4,443,806.16	2,106,332.31
Rental income	33,556,799.77	5,678,991.40
Energy income	32,773,288.50	23,435,477.05

Product name	Current period	Corresponding period of last year
Others	2,516,073.81	401,141.61
Total	**107,898,517.99**	**90,960,621.26**

(4) Contract revenue

Item		Total amount	Accumulated cost	Accumulated gross profit	Amount settled	Provision for impairment
Fixed price contracts	**Total contracts under construction**	46,559,536,561.96	23,319,919,367.88	-400,087,237.60	23,814,138,728.90	311,919,246.02
	Including: Contracts under construction which are expected to incur loss at the end of the period					
	50,000 ton series (tankers for product oil/chemicals)	6,654,841,072.45	2,387,273,484.36	-397,256,954.95	1,802,661,110.88	74,899,318.64
	115,000 ton series (tankers for product oil/chemicals)	5,218,838,687.21	2,747,626,261.53	-440,694,261.97	2,464,332,455.84	90,842,617.70
	250,000 ton series (tankers for product oil/chemicals)	3,019,674,605.37	694,297,146.30	-74,429,424.46	482,226,087.50	22,884,561.38
	Platform ships	3,131,052,720.00	1,358,744,174.89	13,578,867.94	213,527,657.54	60,501,797.60
	Bulk carriers	1,743,318,461.86	1,139,973,286.71	-58,424,263.12	395,072,856.20	31,052,406.04
	Maritime engineering	3,942,080,755.61	2,647,790,695.02	152,702,524.91	2,042,921,524.98	195,487.00
	Containerships	3,715,302,269.98	1,363,156,581.54	2,507,676.31	369,119,147.93	14,014,419.83
	Multi-purpose ships	1,817,186,853.31	781,650,095.46	-49,725,810.74	385,335,039.86	15,249,262.68
	Multi-purpose intelligent ships	168,340,250.00	12,632.00	-	-	2,249,950.00
	Others	95,394,350.00	107,410,845.97	-249,749.96	86,683,898.94	29,425.15

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

(5) Top five customers by operating income

Customers	Current period	Proportion (%)
Customer 1	4,187,127,781.64	37.24
Customer 2	653,889,910.94	5.82
Customer 3	407,873,025.30	3.63
Customer 4	360,433,734.57	3.21
Customer 5	356,916,359.15	3.17
Total	**5,966,240,811.60**	**53.07**

(6) Purchase amounts of top five suppliers

Suppliers	Relationship with the Group	Proportion (%)	
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Under common control of CSSC	1,354,851,486.22	12.87
Eastern Shanghai Heavy Machinery Co., Ltd.	Under common control of CSSC	267,754,043.25	2.54
CSSC System Engineering Research Institute	Under common control of CSSC	222,273,000.00	2.11
National Oilwell Varco Norway AS	Third party	161,849,309.45	1.54
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Under common control of CSSC	142,013,244.70	1.35
Total		**2,148,741,083.62**	**20.41**

7. Finance costs

(1) Breakdown of finance costs

Item	Current period	Corresponding period of last year
Interest expenses	228,991,075.50	262,246,505.39
Less: Interest income	186,728,656.23	210,008,890.35
Add: Exchange losses	-36,398,324.82	-17,099,119.90
Add: Other expenses	3,801,410.00	4,451,376.33
Total	**9,665,504.45**	**39,589,871.47**

(2) Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank loans and overdraft		

Item	Current period	Corresponding period of last year
Interest on bank loans due within 5 years	125,789,671.27	185,030,648.72
Interest on bank loans due after 5 years	3,964,805.89	
Sub-total	129,754,477.16	185,030,648.72
Other borrowings		
Interest on other borrowings due within 5 years	93,892,760.63	64,630,240.23
Interest on other borrowings due over 5 years	12,945,205.48	12,585,616.44
Sub-total	106,837,966.11	77,215,856.67
Less: Capitalized interest	7,601,367.77	
Total	**228,991,075.50**	**262,246,505.39**

(3) Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	186,728,656.23	210,008,890.35
Total	**186,728,656.23**	**210,008,890.35**

8. Gain/loss on change in fair value

Item	Current period	Corresponding period of last year
Financial assets at fair value through profit and loss	-11,135,343.00	44,889,251.01
Financial liabilities at fair value through profit and loss	160,419,029.40	7,428,602.54
Total	**149,283,686.40**	**52,317,853.55**

9. Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	659,270.82	152,528.55
Investment income from disposal of long-term equity investments	26,896,200.00	
Investment income from disposal of financial assets at fair value through profit and loss	-131,634,660.72	-5,880,729.54
Investment income from holding available-for-sale financial assets	11,250.00	10,000.00
Gain on entrusted wealth management products	29,277,064.59	13,643,347.07
Total	**-74,790,875.31**	**7,925,146.08**

The investment income from investment in listed companies and non-listed companies for the period amounted to RMB11,250.00 and RMB-74,802,125.31, respectively.

10. Non-operating income

(1) Breakdown of non-operating income

Item	Current period	Corresponding period of last year	Amounts included in non-recurring profit and loss for current period
Income from disposal of non-current assets	740,368.61	22,175.73	740,368.61
Including: Gain on disposal of fixed assets	740,368.61	22,175.73	740,368.61
Government grants	61,513,539.76	48,436,455.73	37,743,539.76
Penalty income	230,514.00	171,300.00	230,514.00
Compensation income		40,755.06	
Others	3,764,481.08	3,655,079.63	3,764,481.08
Total	**66,248,903.45**	**52,325,766.15**	**42,478,903.45**

The amount included in non-recurring profit and loss for current period was RMB42,478,903.45 (Corresponding period of last year: RMB48,291,650.91).

(2) Breakdown of government grants

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Interest subsidy	13,000,000.00	17,500,000.00	Ministry of Finance	Relating to revenue
Research of shipbuilding process and technology	4,265,807.54	5,492,426.89	Government subsidies	Relating to revenue
Decoration design and building technology research for typical cabins of luxury cruises		5,000,000.00	MIIT	Relating to revenue
Research of key technologies for polar deck ships		4,461,600.00	MIIT	Relating to revenue
Revenue from product subsidies		4,034,115.24	Government subsidies	Relating to revenue
Offshore expansion projects	1,750,000.00	1,750,000.00	YueCai Gong [2010] No. 445, Yue Jing Mao JiGai [2009] No. 666, Yue Jing Mao [2009] No 870	Relating to assets
Key process and equipment		1,300,000.00		Relating

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
technology for assembly of components				to revenue
Revenue from engineering research and development for Project Dawn		1,165,094.34	CSSC	Relating to revenue
Emulation of shipbuilding precision control process		781,465.60	Government subsidies	Relating to revenue
Export credit insurance special funds		776,000.00	Liwan District Financial and Treasury Payment Centre; 2013 export credit insurance special funds	Relating to revenue
Offshore engineering phase I	750,000.00	750,000.00	YueCai Gong [2010] No. 445, Yue Jing Mao [2008] No. 35	Relating to assets
Research of digital production line technology for shipbuilding		750,000.00		Relating to revenue
Self-development of diving support ships		734,012.20	MIIT	Relating to revenue
Refund of tax for sale of self-developed software	890,627.79	530,108.58	Refund of tax by State Administration of Taxation	Relating to revenue
Research of measurement and analysis system for dual propulsion shaft power and torsional vibration stress		507,025.64		Relating to revenue
Shipbuilding projects		411,158.76	Central government	Relating to assets
Research of information on full three-dimensional digital sample ships		380,394.67	MIIT	Relating to revenue
Research of integration technology for digital ship design, design and management		214,653.72		Relating to revenue
Tax relief for land use right tax and property tax for 2013	933,918.97		Refund of tax by taxation bureau	Relating to revenue
International Maritime Organization shipbuilding file research		200,000.00	MIIT	Relating to revenue
Enterprise technology centre innovation capability development project	150,000.00	150,000.00	Central government	Relating to assets

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Formulation of ships design and construction technical standards		150,000.00		Relating to revenue
Offshore platform project	150,000.00	150,000.00	Huangpu District Treasury Payment Centre	Relating to assets
Base construction subsidy	31,091.39	31,091.39	Government subsidies	Relating to assets
Development of double-fuel high-speed luxury Ro/Ro ships	4,534,684.96		MIIT	Relating to revenue
Export credit insurance special funds for 2015	4,000,000.00		Government subsidies	Relating to revenue
Steady industrial growth bonus	2,000,000.00		Government subsidies	Relating to revenue
Semi-submerged engineering ships	4,927,333.64		National Development and Reform Commission	Relating to revenue
Provincial post-R&D grant	2,375,000.00		ShuiKe Chuang Zi [2016] No. 68	Relating to revenue
Provincial post-R&D grant in Guangdong Province	4,349,400.00		Huangpu District Treasury Payment Centre	Relating to revenue
Interest subsidy for transformation into civil development	10,770,000.00		CSSC	Relating to revenue
Special government grant for research and development of enterprises in Guangdong Province	1,688,300.00		Government subsidies	Relating to revenue
Special funds for cultivation of provincial high-tech enterprises for 2015	3,311,700.00		Government subsidies	Relating to revenue
Research and development and industrial application of FPSO upgrading technology	918,666.37		National Development and Reform Commission	Relating to revenue
Other projects	717,009.10	1,217,308.70		
Total	**61,513,539.76**	**48,436,455.73**		

11. Income tax expenses

（1）Income tax expenses

Item	Current period	Corresponding period of last year
Current income tax – PRC enterprise income tax	22,637,553.28	62,213,178.16
1. PRC	22,627,267.72	66,646,746.31
2. Hong Kong		
3. Over-provision (Under-provision) in prior years	10,285.56	-4,433,568.15
Deferred tax	1,196,661.35	-81,937,157.72
Total	**23,834,214.63**	**-19,723,979.56**

（2）Reconciliation sheet between income tax expenses and total profit

Income tax expenses calculation is based on the profit (loss) in the consolidated income statement and the applicable tax rates:

Item	Current period	Corresponding period of last year
Total consolidated profit for the period	67,611,361.79	-543,316,757.05
Income tax expenses calculated at statutory/applicable tax rate	16,902,840.45	-81,497,513.56
Impact of different tax rates for subsidiaries	-10,486,189.67	-25,909,359.68
Impact of adjustment for income tax for previous period	11,727.47	-4,433,568.15
Impact of non-taxable income	-108,358.96	
Impact of non-deductible costs, expenses and losses	427,446.20	3,012,479.44
Impact of utilisation of deductible loss for which no deferred tax assets are previously recognised	-2,244,625.22	
Impact of deductible temporary differences for which no deferred tax assets are recognised for the period or deductible losses	19,331,374.36	88,369,703.08
Under-provision for income tax for prior years		
Change in beginning balance of deferred tax assets/liabilities as a result of change in tax rate		734,279.31
Income tax expenses	23,834,214.63	-19,723,979.56

（3）Income tax rate

Company Name	Tax rate	Remarks
the Company	25%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Glory Group Development Co., Ltd.	16.5%	Incorporated in Hong Kong
Fanguang Development Co., Ltd.	16.5%	Incorporated in Hong Kong

Company Name	Tax rate	Remarks
Fanguang (Macau) Development Single Person Co., Ltd.	12%	Incorporated in Macau
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprises
Other subsidiaries	25%	

（4） Preferential taxation treatment

The Company and its subsidiaries Guangzhou Hongfan Technology Co., Ltd. (Hongfan Technology) and CSSC Huangpu Wenchong Shipbuilding Co., Ltd. (Huangpu Wenchong) are approved to be Hi-tech Enterprises. The enterprise income tax rate applicable to Hongfan Technology for the period from 1 January 2014 to 31 December 2016 is 15%. The enterprise income tax rate applicable to Huangpu Wenchong for the period from 1 January 2015 to 31 December 2017 is 15%.

The Company may enjoy preferential income tax treatments for the period from 1 January 2014 to 31 December 2016. On 13 November 2015, as approved by a resolution of the 25th meeting of the eighth session of the Board, the assets and liabilities relating to the production and operation of the Company, based on their carrying value as at 31 December 2015, were transferred to Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company. As at the date of this report, the Company has substantially completed the transfer of the assets and liabilities relating to the production and operation of the Company. It is expected that the Company will no longer be qualified as a high technology enterprise and as such will no longer be entitled to preferential income tax treatments. An income tax rate of 25% is applicable to the Company in 2016.

12. Earnings per share:

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

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

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

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

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

Item	No.	Current period	Corresponding
Net profit attributable to shareholders of the Company	1	37,072,739.65	-524,993,554.11
Non-recurring profit and loss attributable to the Company	2	104,306,065.68	64,339,259.69
Net profit attributable to shareholders of the Company, net of exceptional items	3=1-2	-67,233,326.03	-589,332,813.80
Total number of shares at the beginning of the year	4	1,413,506,378.00	1,030,534,651.00
Number of shares increased due to transferring capital reserve into share capital or dividend	5		
Number of shares increased due to issuance of new shares or debt for equity swap (II)	6		382,971,727.00
Number of months from next month to the year end regarding the number of shares (II)	7		3.00
Number of shares decreased due to stock repurchase	8		
Number of months from the next month to the year end regarding the decrease of shares	9		
Number of shares decreased due to capital reduction	10		
Number of months in the reporting period	11	6.00	6.00
Weighted average number of ordinary shares oustanding	12	1,413,506,378.00	1,358,070,164.50
Weighted average number of ordinary shares adjustments because of business combination under common control	13	1,413,506,378.00	1,222,020,514.50
Basic earnings per share (I)	14=1÷12	0.0262	-0.3866
Basic earnings per share (II)	15=3÷13	-0.0476	-0.4823
Potential diluted interests of ordinary shares recognized as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.15
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted earnings per share (I)	20=[1+(16-18)×(1-17)]÷(12+19)	0.0262	-0.3866
Diluted earnings per share (II)	21=[3+(16－18)×(1-17)]÷(13+19	-0.0476	-0.4823

Item	No.	Current period	Corresponding
	)		

Notes: According to Article No. 8 – For business combination under common control during the reporting period, the acquirer issues new shares on the date of combination and uses it as consideration under No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Net Assets and EPS (2010 Revised), when calculating basic earnings per share as at the end of the reporting period, the shares shall be treated as outstanding ordinary shares at the beginning of the combination (to calculate the weighted average using weighting as 1). When calculating basic earnings per share at the comparative period, shares shall be treated as outstanding ordinary shares at the beginning of the comparative period. When calculating earnings per share as at the end of the reporting period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall be weighted staring from the next month. When calculating earnings per share as at the end of the comparative period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall not be weighted (weighting is zero).

13. Dividends

Final dividends for the year ended 31 December 2015 totalling RMB42,405,191.34 were declared and paid during the six months ended 30 June 2016 (2015: nil).

According to the resolutions of the board of directors dated 30 August 2016, the Company would not distribute the interim dividends 6-month period ended 30 June 2016 (Corresponding period of last year: none).

14. Depreciation and amortization

Item	Current period	Corresponding period of last year
Depreciation of investment properties	314,356.08	314,356.08
Depreciation of fixed assets	331,233,008.51	320,384,789.95
Amortization of intangible asset	28,815,016.82	30,296,791.17
Amortization of long-term prepaid expenses	4,961,274.00	1,986,924.21
Total	**365,323,655.41**	**352,982,861.41**

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

As approved by the first session of the fifth board of directors of Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard", a subsidiary of the Company), on 12 January 2016, Wenchong Shipyard listed its 50% equity interest in Baiyin Sanfeng Wenchuan Environmental Protection Power Generation Co., Ltd. ("Baiyin Sanfeng") for sale at the Chongqing Assets and Equity Exchange at a consideration of RMB40.80 million. The consideration was determined by reference to a valuation report (Yin Xin Ping BaoZi [2015] Hu No. 1025) issued by Yinxin Assets Appraisal Co., Ltd., which valued Baiyin Sanfeng at RMB81.60 million. As such, the appraised value of its 50% equity interest is RMB40.80 million. On 29 March 2016, Chongqing Caixin Environment Resources Co., Ltd. won the bid for such equity interest at RMB57.80 million. On 29 March 2016, Wenchong Shipyard and Chongqing Caixin Environment Resources Co., Ltd. entered into a Chongqing state-owned asset transfer contract, pursuant to which the consideration shall be settled with one-off payment within 5 business days after the contract has taken effect. On 6 April 2016, change of business registration for Baiyin Sanfeng was completed. On 19 April 2016, Wenchong Shipyard received the consideration paid via the Chongqing Assets and Equity Exchange. As at the end of the period, the Group had recognised gain on disposal of investments of RMB26,896,200.

4. Segment information

According to the Group's internal organisational structure, management requirements, and internal reporting system, the segments of the operation can be divided into 3 categories based on the different types of main products. The management of the Group evaluates operating outcomes of these segments periodically in order to make decisions concerning resource distributions and operating result assessments. The Group is currently organized into shipbuilding, steel structure projects and others.

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

Segment information for current period

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	10,682,719,412.62	603,440,451.49	740,406,918.08	-666,618,493.40	11,359,948,288.79
Including: Revenue from external transactions	10,682,719,412.62	472,515,305.83	204,713,570.34		11,359,948,288.79
Revenue from intra-segment transactions		130,925,145.66	535,693,347.74	-666,618,493.40	
Operating cost	10,046,280,401.84	573,308,905.45	684,794,040.85	-668,713,012.55	10,635,670,335.59

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Period charge	633,668,278.81	17,202,143.02	56,107,239.07	-1,344,978.46	705,632,682.44
Segment total profit (total loss)	49,126,861.33	18,685,269.56	-291,989.96	91,220.86	67,611,361.79
Total assets	49,182,493,674.67	806,380,684.81	3,248,762,152.52	-2,474,303,359.32	50,763,333,152.68
including: Significant impairment loss of individual asset					
Total liabilities	40,104,179,230.00	496,487,987.91	928,033,944.35	-1,134,439,006.74	40,394,262,155.52
Supplementary information					
Capital Expenditure	596,296,224.70	425,264.89	23,611,050.21	1,340,701,530.87	1,961,034,070.67
Impairment loss recognised during current period	75,633,358.18	-483,356.24	302,628.37	-105,804.89	75,346,825.42
Including: Allocation for impairment of goodwill					
Depreciation and amortization expense	306,257,709.97	2,905,004.99	57,803,753.23	-1,642,812.78	365,323,655.41
Non-cash expenses other than loss of impairment, depreciation and amortization					

Segment information for corresponding period of last year

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	11,316,884,486.81	557,411,607.10	783,061,673.14	-1,847,638,529.58	10,809,719,237.47
Including: Revenue from external transactions	9,754,590,283.53	557,411,607.10	497,717,346.84		10,809,719,237.47
Revenue from intra-segment transactions	1,562,294,203.28	-	285,344,326.30	-1,847,638,529.58	
Operating cost	11,116,528,935.85	530,312,180.99	756,016,223.63	-1,897,180,253.37	10,505,677,087.10
Period charge	557,180,151.88	16,661,290.51	166,922,484.39	-20,572,718.78	720,191,208.00
Segment total profit (total loss)	-681,587,753.98	13,696,553.15	-126,261,540.13	250,835,983.91	-543,316,757.05
Total assets	59,743,695,488.95	731,390,647.72	3,442,310,993.76	-18,792,353,142.10	45,125,043,988.33

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
including: Significant impairment loss of individual asset	-	-	-		
Total liabilities	46,562,129,969.35	519,104,363.20	1,962,003,963.79	-13,675,092,478.67	35,368,145,817.67
Supplementary information	-	-	-		
Capital Expenditure	190,005,563.66	2,237,990.77	2,127,349.67	-	194,370,904.10
Impairment loss recognised during current period	415,675,036.88	113,024.21	-47,018.40	-185,613,152.44	230,127,890.25
Including: Allocation for impairment of goodwill	-	-	-		
Depreciation and amortization expense	324,684,565.41	884,290.99	44,747,458.15	-19,320,377.35	350,995,937.20
Non-cash expenses other than loss of impairment, depreciation and amortization					

The total external transaction revenue from local and other countries or regions; and other non-current assets other than financial assets and deferred income tax assets from local and other countries or regions are listed below:

Revenue from external customers	Current period	Corresponding period of last year
China (except Hong Kong)	10,996,637,220.02	10,690,679,236.17
Hong Kong	363,311,068.77	119,040,001.30
Total	**11,359,948,288.79**	**10,809,719,237.47**

Total non-current assets	Ending balance	Beginning balance
China (except Hong Kong)	13,192,548,824.38	13,351,125,602.41
Hong Kong	97,538,928.10	15,220,068.43
Total	**13,290,087,752.48**	**13,366,345,670.84**

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

§ 9DOCUMENTS FOR INSPECTION

Copies of the interim report for 2016 will be available at thefollowing addresses and websites:

Website of the Stock Exchange of Hong Kong Limited	www.hkexnews.hk
Website of the Shanghai Stock Exchange	www.sse.com.cn
Address of obtaining report of the Company	The office of the board of director，40 South Fangcun Main Road, Liwan District, Guangzhou,the PRC

By order of the Board
CSSC Offshore & Marine Engineering (Group) Company Limited
Shi Weidong
Joint Company Secretary

Guangzhou, 30 August 2016

As at the date of this announcement, the Board comprises eleven Directors, namely executive Directors Mr. Han Guangde, Mr. Chen Zhongqian, Mr. Chen Liping, Mr. Xiang Huiming and Mr. Chen Ji,non-executive Directors Mr. Yang Li and Mr. Wang Guozhong and independent non-executive Directors Mr. Song Dejin, Mr. Zhu Mingyou, Mr. Wang Yichu and Mr. Min Weiguo.