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

(A joint stock limited liability company incorporated in the People's Republic of China)

Stock Code:00317

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

(Financial Highlights)

Turnover:	**RMB** 23,349,604,897.69
Profit attributable to equity holders of the Company:	**RMB** 71,224,250.43
Earnings per share attributable to equity holders of the Company:	**RMB**0.0504

The board of directors (the "Board") of CSSC Offshore & Marine Engineering (Group) Company Limited (the "Company" or "COMEC") hereby announces the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 (the "Reporting Period") which were prepared in accordance with the PRC Accounting Standards for Business Enterprises, together with the comparative figures for the same period in 2015, as follows:

DIVIDEND

Pursuant to a resolution passed at a Board meeting held on 31 March 2017, the profit distribution proposal for the Reporting Period is as follows: In 2016, the Group realised net profit attributable to shareholders of the Company of RMB71,224,250.43, and the Company's total undistributed profit for 2016 was RMB674,572,834.25. Based on the total share capital of the Company of 1,413,506,378 shares, a cash bonus of RMB0.16 (inclusive of tax) for every 10 shares is proposed for distribution to all shareholders, totalling RMB22,616,102.05 (inclusive of tax). The remaining undistributed profit will be carried forward to next year. The Company will not increase its share capital by way of capitalisation of reserves for the year. This profit distribution proposal is subject to the approval at the 2016 annual general meeting. If approved, the dividend is expected to be paid to shareholders around Tuesday, 25 July 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(I) Development of the shipbuilding market in 2016

The global shipbuilding market continued to show a downturn trend. According to China Ship Industry Economy and Market Research Center, the global shipbuilding market experienced extreme conditions in 2016. For the prices of new ships, the market demand for new ships shrank and competition intensified, which had materially impacted the bargaining power of shipyards. Throughout the year, the prices of new ships showed a downward trend. As at 31 December 2016, the ClarkSea Index dropped to 123 points, lower than the lowest record of 126 following the financial crisis in 2008. For new ship orders, there were only orders for 539 ships with 27,418,000 DWT in the year. The contractual DWT decreased significantly by 75.7% from 2015, a record low of 20 years. Among the major shipbuilders, the volume of new orders received in China, Japan and Korea were 16,170,000 DWT, 4,100,000 DWT and 5,840,000 DWT, respectively, representing year-on-year decreases of 51%, 89% and 83%, respectively. As at the end of December 2016, the volume of global orders in hand was 223,322,000 DWT, representing a year-on-year decrease of 26.3%. Among the major shipbuilders, the volume of orders in hand of China, Japan and Korea were 95,947,000 DWT (accounted for 43%), 59,192,000 DWT (accounted for 26.5%) and 50,280,000 DWT (accounted for 22.5%), respectively.

National policies tend to support larger and stronger enterprises to further reduce excessive production capacity. According to the "Action Plan for Deepening Structural Adjustment and Accelerating Transformation and Upgrading for the Shipbuilding Industry (2016-2020)", being the "13th Five-Year Plan" for the shipbuilding industry, China strives to become a world shipbuilding power and an advanced country for offshore engineering equipment manufacturing by 2020. In particular, the government requires to eliminate excessive production capacity, strengthen the supervision and management of enterprises meeting industry norms, and dynamically adjust the Whitelist for the shipbuilding industry in order to promote the transformation and liquidation and reorganisation of backward enterprises. It also vigorously supports strong enterprises in improving productivity and lowering cost. China's efforts to reduce production capacity for the shipbuilding market in 2016 were fruitful. According to China Ship Industry Economy and Market Research Center, there were 130 active shipyards as at the end of 2016, representing a decrease of 14% compared to 151 in 2012. In light of the orders in hand of shipbuilders and market development, the number of active shipyards will further decrease in 2017.

(II) Operation of the Group

In 2016, amid continued downturn in the global shipbuilding market, fierce domestic and overseas competition, decrease in new shipbuilding orders secured in China and continuous pressure on the profitability of domestic shipbuilding enterprises, the Group had a clear understanding of the situation, dared to face the pressure and strived to seek breakthroughs. By focusing on increasing military strengths and improving production efficiency, the Company made strong efforts in adjusting structure, changing development model and maintaining stable operating income. Notwithstanding the declined operational results, the Company's core shipbuilding business maintained a good space in general. Its product mix became more reasonable, and the volume of orders secured and total orders in hand were approximate to those of last year, ensuring the normal sustainable development of the Group.

1. In 2016, the operating income of the Group amounted to RMB23.35 billion, representing a decrease of 8.50% compared with last year; total profit amounted to RMB119 million, representing a decrease of 74.57% compared with last year; net profit attributable to the shareholders of the Company amounted to RMB71,224,300, representing a decrease of 27.56% compared with last year.

2. Steady growth of core shipbuilding business. In 2016, the shipbuilding industry continued to face the situations of "being difficult to deliver ships, hard to secure orders and hard to achieve profitability". Against such background, the Group continued to strengthen its production and operation management and fully improve the quality and performance. During the Reporting Period, the Group secured shipbuilding orders for 52 ships/1,546,200 DWT. For military products, the Company always adheres to its mission as a central state-owned military enterprise and spares no

efforts to protect the production of military products. For civil products, the Company continued to facilitate the transforming and upgrading of its civil products. Breakthroughs were made during its production and operation of civil products, making positive contribution to maintaining its operating income.

3. Major breakthroughs in technological innovations. During the Reporting Period, the Group continued to strengthen the combination of technology and production and operation and enhanced the driving and leading role of technological innovations. During the year, the Group completed the development of 23 models, including R-550PA jack-up platform and J180A jack-up living platform which are suitable for operation in the North Sea, obtained 140 patents, commenced 102 new research and development projects, received additional government subsidies for research and development of RMB131,270,000.

4. Diversified and optimised business presence. During the Reporting Period, the Company further promoted the supply side structure reform and diversified and optimised its business presence by leveraging its own strengths. First, it continued to promote the transformation and upgrading of its marine products by building polar deck ships, 100,000-ton semi-submersible ships, luxury Ro/Ro passenger ships and offshore platform, which have strong influence and optimised its product mix. Second, it strengthened the efforts in the mutual conversion and research and development of military and civil technologies and products, and its development of military and civil products realized their mutual promotion. Third, it accelerated the development of non-shop business by focusing on expanding steel structure business and improving its influence in the high-end steel structure market.

In general, as the first military product company with both A shares and H shares listed, COMEC has substantially established its six major advantages, being convenient financing platform, leading core products and technology, good customer services, high performance price ratio of products, craftsman spirit inheritance and deep integration of military and civil products. During the period for the shipbuilding market, the Group will continue to maintain its enthusiasm for reforms and innovations and adhere to its five major development concepts of “innovation, coordination, green, open and sharing”, so as to maintain the sustainable development of the Group and create values for shareholders.

BUSINESS REVIEW

During the Reporting Period, the Group completed 55 ships/2,186,100 DWT, realised operating income of RMB23.35 billion, a decrease of 8.50% compared with last year, total profit of RMB119 million, net profit attributable to the shareholders of the Company of RMB71 million, a decrease of 27.56% compared with last year; shipbuilding orders of RMB22 billion, basically remaining the same level as that of 2015.

FINANCIAL REVIEW

For the year ended 31 December 2016, operating income of the Group prepared under the PRC Accounting Standards for Business Enterprises amounted to RMB23.35 billion, representing a decrease of 8.50% compared with last year; audited net profit attributable to the shareholders of the Company for the year amounted to RMB71 million, representing a decrease of 27.56% compared with last year; earnings per share amounted to RMB0.0504 and earnings per share after deduction of exceptional items amounted to RMB-0.0679.

KEY FINANCIAL INDICATORS	2016	2015	Change (%)	2014	2013	2012

Basic earnings per share (RMB/share)	0.0504	0.0709	-28.91	0.3253	0.0382	0.0161
Diluted earnings per share (RMB/share)	0.0504	0.0709	-28.91	0.3253	0.0382	0.0161
Basic earnings per share after deduction of exceptional items (RMB/share)	-0.0679	-1.2291	Not applicable	-0.6487	-0.2553	-0.0600
Weighted average return on equity (%)	0.69	0.99	Decrease of 0.30 percentage points	4.46	0.65	0.25
Weighted average return on equity after deduction of exceptional items (%)	-0.93	-17.86	Increase of 16.93 percentage points	-11.3	-4.01	-0.94

ANALYTICAL STATEMENT ON CHANGES OF RELATED ITEMS IN INCOME STATEMENTAND CASH FLOW STATEMENT

Unit: Yuan Currency: RMB

Item	Current year	Corresponding period of last year	Change (%)
Operating income	23,349,604,897.69	25,519,239,791.42	-8.50
Operating costs	21,713,708,013.17	24,821,158,371.84	-12.52
Selling expense	116,743,820.71	210,814,276.68	-44.62
Administrative expense	1,395,560,018.97	1,453,253,072.82	-3.97
Finance cost	-17,946,547.67	336,489,851.01	Not applicable
Net cash flows from operating activities	-3,761,073,635.17	-1,058,252,073.77	Not applicable
Net cash flows from investing activities	5,792,949,478.11	192,912,258.77	2,902.89
Net cash flow from financing activities	-1,806,734,376.67	1,527,227,165.86	Not applicable
Research and development expense	656,726,952.16	769,697,455.10	-14.68

CHANGES OF ITEMS IN INCOME STATEMENT AND EXPLANATION

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change	Description
Taxs and surcharges	70,579,480.62	26,058,415.07	44,521,065.55	170.85%	Taxation, such as property tax, vehicle usage tax and stamp tax, for the period from May 2016 to December 2016 were included in taxes and surcharges in accordance with the Circular Cai Kuai [2016] No. 22
Selling expense	116,743,820.71	210,814,276.68	-94,070,455.97	-44.62%	Decrease in revenue for the year compared to last year, decrease in provision made for ship maintenance fees based on the revenue for the year, and the entering into of maintenance termination agreements with ship owners during the year to offset the balance of ship maintenance fees for which the warranty period has expired
Finance cost	-17,946,547.67	336,489,851.01	-354,436,398.68	-105.33%	Increase in exchange gains arising from change in exchange rates
Loss on impairment of assets	208,829,341.68	391,283,454.14	-182,454,112.46	-46.63%	Appreciation of U.S. dollars, leading to the increase in total estimated contractual revenue and the decrease in estimated contractual loss
Gain on change in fair value	168,178,506.59	-129,608,691.45	297,787,198.04	Not applicable	All forward exchange contracts had been settled on maturity or closed during the year, and the change in fair value was transferred to investment income upon settlement of forward exchange settlement business
Investment income	-48,371,480.29	2,034,308,125.58	-2,082,679,605.87	-102.38%	Increase in investment loss arising from settlement (closing) of forward exchange contracts compared to last period, and investment income of RMB2,055 million on disposal of equity interest in subsidiaries
Non-operating expense	78,673,400.06	4,966,346.67	73,707,053.39	1484.13%	Increase in accruals of RMB66 million
Income tax expense	32,746,647.37	365,814,179.00	-333,067,531.63	-91.05%	Decrease in taxable income for the year compared to last year
Profit or loss attributable to minority interest	15,463,911.50	5,576,929.27	9,886,982.23	177.28%	Increase in net profit of Fanguang Development Co., Ltd. during the year compared to last year
Other comprehensive income	-274,491.63	-14,881,889.67	14,607,398.04	Not applicable	Recognition of costs of “three kinds of personnel” (cadres retired with honors, retired employees and early retired employees) of Huangpu Wenchong, a subsidiary of the Company, and the inclusion of actuarial gains in other comprehensive income

CHANGES OF ITEMS IN CASH FLOW STATEMENT AND EXPLANATION

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change	Description
Net cash flows from operating activities	-3,761,073,635.17	-1,058,252,073.77	-2,702,821,561.40	Not applicable	Poor collection of receivables for civil ship contracts, decrease in advances for ship progress fees, and collection mainly concentrated around ship delivery;
Net cash flows from investing activities	5,792,949,478.11	192,912,258.77	5,600,037,219.34	2902.89%	Combined effects of release of pledge on fixed deposit, investment in wealth management products and infrastructure expenses;
Net cash flow from financing activities	-1,806,734,376.67	1,527,227,165.86	-3,333,961,542.53	Not applicable	Repayment of borrowings, payment of dividends and interest.

ANALYTICAL STATEMENT OF ASSETS AND LIABILITIES

Unit: Yuan Currency: RMB

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Change of amount at the end of current period compared with that of the end of last period (%)	Description
Monetary funds	12,347,969,978.26	26.69	17,664,365,754.92	36.05	-30.10	Repayment of borrowings and decrease in project payment
Financial assets at fair value through profit or loss	-	0.00	13,063,411.11	0.03	-100.00	Full settlement of outstanding forward exchange contracts during the period, and no new contracts had been entered into
Notes receivable	122,945,274.57	0.27	21,097,180.25	0.04	482.76	Increase in receipts of bank acceptance bills
Dividends receivable	-	0.00	635,116.05	0.00	-100.00	Payment of dividend declared for previous years by associates
Other receivables	72,448,156.82	0.16	694,376,182.24	1.42	-89.57	Receipt of remaining balance of the consideration from Shanghai Lingxiang for the transfer of equity interest in Guangzhou Shipyard Shipping Co., Ltd. in 2015

Other current assets	1,892,964,428.05	4.09	845,000,000.00	1.72	124.02	Transfer of debit balance of taxation payable - value-added tax to this item in accordance with the Circular Cai Kuai [2016] No. 22; decrease in wealth management products due within one year compared to last year
Long-term receivables	478,791,643.97	1.03	356,141,245.87	0.73	34.44	Increase in receipt in installments for sale of goods of Wenchong Shipyard, a subsidiary of the Company
Other non-current assets	1,001,361,563.30	2.16	300,000,000.00	0.61	233.79	Increase in the amount of wealth management products for which agreements had been entered into with CSSC Finance
Short-term borrowings	445,636,500.54	0.96	6,746,671,403.20	13.77	-93.39	Repayment of borrowings
Financial liabilities at fair value through profit or loss	-	0.00	181,241,917.70	0.37	-100.00	Full settlement of outstanding forward exchange contracts during the period, and no new contracts had been entered into
Employee benefits payable	59,354,143.31	0.13	35,838,830.14	0.07	65.61	Provision made by subsidiaries for bonus for the year 2016
Taxes payable	127,111,097.76	0.27	-1,122,743,774.34	-2.29	-111.32	Transfer of debit balance of taxation payable - value-added tax to other current assets in accordance with the Circular Cai Kuai [2016] No. 22
Interest payable	11,109,426.83	0.02	21,533,573.71	0.04	-48.41	Decrease in interest rate of loans and decrease in the average balance of loans
Dividends payable	3,806,004.54	0.01	256,103,771.17	0.52	-98.51	Payment of dividend for the period before completion of transfer in 2015 of RMB255 million by Huangpu Wenchong, a subsidiary of the Company, to CSSC
Other payables	358,190,436.06	0.77	245,194,170.01	0.50	46.08	Increase in deposit and balance
Non-current liabilities due within one year	5,675,200,000.00	12.27	1,777,500,000.00	3.63	219.28	Reclassification of long-term borrowings to this item
Special payables	1,390,339,744.58	3.00	984,839,744.58	2.01	41.17	Increase in national subsidies for infrastructure projects
Deferred income	67,514,328.51	0.15	260,320,055.21	0.53	-74.06	Reclassification of items relating to assets

Deferred tax liabilities	499,094.19	0.00	2,310,530.93	0.00	-78.40	Decrease in financial assets at fair value through profit or loss in the year

INFORMATION ON PRINCIPAL BUSINESSES BY PRODUCT

Unit: Yuan Currency: RMB

Principal businesses by product						
By product	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Shipbuilding business	18,754,775,750.13	17,849,283,111.95	4.83	4.97	-1.36	6.11
Offshore engineering business	2,577,790,855.88	2,190,171,776.63	15.04	-53.88	-55.33	2.77
Ship maintenance business	384,298,812.73	305,032,157.86	20.63	18.21	12.02	4.39
Steel structure engineering	900,321,575.21	803,930,677.36	10.71	2.57	-2.75	4.89
Electromechanical products and others	460,031,777.87	347,798,031.08	24.40	-21.56	-32.88	12.75
Principal business by region						
By region	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
China (including Hong Kong, Macau and Taiwan)	15,938,941,577.42	14,710,069,491.33	7.71	3.78	5.06	-1.12
Other regions in Asia	1,670,867,043.34	1,649,228,596.61	1.30	22.28	3.91	17.45
Europe	4,691,379,889.36	4,386,680,409.29	6.49	-26.50	-32.48	8.27
Oceania	592,565,668.85	573,690,921.80	3.19	-67.42	-73.35	21.57
North America	15,518,639.24	19,627,963.40	-26.48	-93.86	-91.96	-29.79
Africa	167,945,953.61	156,918,372.45	6.57	178.83	22.65	118.97
South America	-	-	-	-100.00	-100.00	-
Total	23,077,218,771.82	21,496,215,754.88	6.85	-8.59	-12.67	Increase of 4.36 percentage points

During the Reporting Period, the Group's income from principal businesses amounted to RMB23,077 million, representing a decrease of 8.59% compared with last year; gross profit from principal businesses amounted to RMB1,581 million, representing an increase of 151.03% compared with last year, mainly due to the increase in gross profit from shipbuilding, ship maintenance and steel structure products compared with last year.

As for product mix, the percentage of income from marine business remained stable at 92% to 93% of total income in both years. Shipbuilding business contributed 81.27% of income, representing an increase of 10.50 percentage points compared with last year; offshore engineering business contributed 11.17% of income, representing a decrease of 10.97 percentage points compared with last year; the percentage of income from ship maintenance, steel structure and electromechanical products remained substantially flat with last year.

(1) Shipbuilding business

During the period, income from shipbuilding business amounted to RMB18,755 million, representing an increase of 4.97% compared with last year, mainly due to the change in product mix and the higher percentage of products with high added-value.

(2) Offshore engineering business

During the period, income from offshore engineering business amounted to RMB2,578 million, representing a decrease of 53.88% compared with last year, mainly due to the decrease in products under construction as a result of the global offshore engineering equipment environment.

(3) Ship maintenance business

During the period, income from ship maintenance business amounted to RMB384 million, representing an increase of 18.21% compared with last year, mainly due to the fact that the Company explored potential for ship maintenance business and expanded into ship modification and full life support business, as well as further improvement in its shipbuilding business capability.

(4) Steel structure engineering business

During the period, income from steel structure engineering business amounted to RMB900 million, representing an increase of 2.57% compared with last year, mainly due to higher income recognised from projects completed during the period.

(5) Electromechanical products and other business

During the period, income from electromechanical products and other business amounted to RMB460 million, representing a decrease of 21.56% compared with last year, mainly due to the decrease in sales of shearing press, elevators and reclaimers due to sluggish market sentiment.

By geographic region, operating income from China (including Hong Kong, Macau and Taiwan) increased by 3.78% and operating income from overseas markets decreased by 27.80% compared with last year. The Group will actively respond to the adverse effects of slow recovery of the shipbuilding market and go all out to develop domestic and overseas markets.

COST ANALYSIS BY PRODUCT

Unit: RMB in ten thousand

By product							
Product	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount in the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
1. Shipbuilding business	Direct materials	1,180,314.18	54.91	1,277,449.61	51.90	-7.60	Increase in production
	Processing costs	658,681.56	30.64	575,956.82	23.40	14.36	Increase in production
	Impairment loss	-54,067.43	-2.52	-43,936.18	-1.78	23.06	Provision for impairment written off
2. Offshore engineering business	Direct materials	134,580.14	6.26	332,912.99	13.52	-59.57	Decrease in production
	Processing costs	85,164.77	3.96	159,347.23	6.47	-46.55	Decrease in production
	Impairment loss	-727.73	-0.03	-1,938.31	-0.08	-62.46	Provision for impairment written off

3. Ship maintenance business	Direct materials	11,095.24	0.52	11,983.50	0.49	-7.41	Increase in production
	Processing costs	19,407.98	0.90	15,245.52	0.62	27.30	Increase in production
	Impairment loss	-	-	-	-	-	-
4. Steel structure engineering	Direct materials	39,738.00	1.85	30,976.56	1.26	28.28	Decrease in products
	Processing costs	40,655.07	1.89	51,689.95	2.10	-21.35	Decrease in products
	Impairment loss	-	-	-	-	-	-
5. Electromechanical products and others	Direct materials	10,214.67	0.48	24,606.94	1.00	-58.49	Decrease in products
	Processing costs	24,565.13	1.14	28,564.54	1.16	-14.00	Decrease in products
	Impairment loss	-	-	-1,354.09	-0.06	-100.00	Provision for impairment written off

INFORMATION OF RAISED CAPITAL INVESTMENT PROJECTS

As approved in the Reply for Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing issued by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2015] No. 330), the Company issued 42,559,089 A Shares through private placement to 7 specific investors at an issue price of RMB37.78 each, raising total proceeds of RMB1,607,882,382.42 and net proceeds of RMB1,541,373,292.57, net of issue expenses of RMB66,509,089.85. Of the raised proceeds, RMB104,959,959.97 was utilised for replenishment of the working capital of COMEC, and the special account established for such part of proceeds was closed in May 2015; RMB680,408,300.00 was utilised for payment to China State Shipbuilding Corporation ("CSSC") of the consideration for 15% equity interest in CSSC Huangpu Wenchong Shipbuilding Company Limited ("Huangpu Wenchong") during the reorganisation, 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; RMB315,559,395.71 was utilised for supplementing and improvement of maritime engineering equipment production facilities in Longxue Factory of Huangpu Wenchong; and the remaining proceeds of RMB64,440,604.29 are not utilised yet and temporarily deposited in a special account established under the name of Huangpu Wenchong and a wealth management product account 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; on 8 and 11 April 2016, Huangpu Wenchong purchased CITIC Xinying Series Bu Bu Gao Sheng No. 4 Renminbi Wealth Management Products (for Institutions Only), a floating income product with guaranteed principal repayment issued by China CITIC Bank Corporation Limited, with RMB50 million and RMB55 million, respectively, out of its temporarily unutilised proceeds raised; on 11 August 2016, Huangpu Wenchong purchased CITIC Gongying Principal-protected Wealth Management Products issued by China CITIC Bank Corporation Limited with RMB80 million out of its temporarily unutilised proceeds raised.

So far the Zhiying Series Renminbi Structured Wealth Management Products purchased by Huangpu Wenchong on 27 November 2015 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; the CITIC Xinying Series Bu Bu Gao Sheng No. 4 Renminbi Wealth Management Products (for Institutions Only) purchased by Huangpu Wenchong on 8 and 11 April 2016, respectively, expired on 29 July 2016, and the principal amount and interest had been repaid as scheduled, with investment income totalling RMB942,657.54; the CITIC Gongying Principal-protected Wealth Management Products purchased by Huangpu Wenchong on 11 August 2016 had expired on 14 September 2016 and 11 November 2016, respectively, and the principal amount and interest had been repaid as scheduled, with investment income totalling RMB430,671.23. (For details, please refer to the announcements of the Company dated 31 December 2015, 1 March 2016, 25 May 2016, 29 July 2016, 1 August 2016, 12 August 2016, 20 September 2016 and 14 November 2016, respectively, on the websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company)

RESEARCH AND DEVELOPMENT EXPENSES

Unit: RMB

Research and development expense recorded in expenses during the period	656,726,952.16
Total research and development expenses	656,726,952.16
Percentage of total research and development expenses over operating income (%)	2.81
Number of research and development staff	1,977
Number of research and development staff over total number of staff (%)	9.4

Description: During the Reporting Period, the Group actively pushed forward technological innovations and deeply explored its technological potential. As a result, its overall technological research and development capability continued to improve, with a total of 172 technological research and development projects, including 81 key technological research and development projects for the year. In respect of external projects, the cooperation with scientific research institutes was strengthened. In addition, in light of the requirements for the strategic transformation of the Company, the efforts put in and support for maritime engineering equipment, polar ships, semi-submersible engineering ships, luxury Ro/Ro passenger ships, next-generation energy-saving and environmentally-friendly ships and non-ship products was reinforced.

EXTERNAL EQUITY INVESTMENT

In 2016, the balance of the Company's long-term equity investments amounted to RMB68.96 million, representing a decrease of 11.66% from last year.

1. On 2 December 2016, Huangpu Wenchong established CSSC Huangpu Wenchong (Sanya) Ship Technology Co., Ltd. in Sanya, Hainan, with a registered capital of RMB8 million and place of registration of Sanya, Hainan Province. Its scope of business mainly includes research and development, design, manufacturing and maintenance of ships, metal structure manufacturing and engineering and technical advisory services. Huangpu Wenchong made capital contribution of RMB8 million in cash, holding its 100% equity interest.

2. On 30 May 2016, Guangzhou Shipyard International Company Limited ("GSI") invested in CSSC Liner Technology Development Co., Ltd. with cash contribution. CSSC Liner Technology Development Co., Ltd. was established in Pudong New Area, Shanghai with a registered capital of RMB200 million, and its scope of business mainly includes technical development, technical consulting and technical services in respect of liner design and related technical areas. GSI invested RMB20 million in cash and holds it 10% equity interest.

SIGNIFICANT ISSUES

1. Related leasing

Unit: RMB in ten thousand

Lessor name	Lessee name	Type of leasing assets	Date of commencement of lease	Expiry date of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Connected transaction or not	Connected relation
Guangzhou Company	Huangpu Wenchong	Land and buildings	2014.5.1	The date on which the relocation is completed and formal production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Company	Wenchong Shipyard	Land and buildings	2014.5.1	The date on which the relocation is completed and formal production commences at the new plant	-	-	-	Yes	Sister company of the Group
Guangzhou Shipyard Industrial	GSI	Land and buildings	2014.10.1	2017.12.01	-	-	-	Yes	Subsidiary of a shareholder
Guangzhou Shipyard Shipping	GSI	Land and buildings	2015.12.1	2017.12.31	-	-	-	Yes	Subsidiary of a shareholder
GSI Yangzhou	CSSC Chengxi	Land for industrial use, buildings and structures erected thereon and related ancillary facilities	2015.10.1	2016.12.31	6,144.61	Taking into account the lease price of the relevant shipbuilding assets in the surrounding area of the lessor, the depreciation of the relevant assets of the lessor, current conditions in the ship industry and reasonable cost and profit of the lessor	In order to improve the utilisation efficiency and profitability of its assets, GSI Yangzhou temporarily leased out its shipbuilding assets, which can compensate for amortisation cost and help maintain normal operation of the relevant shipbuilding assets.	Yes	Sister company of the Group
GSI	Wenchong Dockyard	Land and buildings and equipment	2015.9.30	Formal property lease contract to be re-entered into upon project acceptance and settlement	1,323.56	Taking into full account prices of ancillary assets adjacent to the location of the lessor, depreciation status of assets, and reasonable cost and profit margin for the lessor	Utilisation of ancillary assets of the Company was improved to cover amortisation cost	Yes	Sister company of the Group

Description of leases

(1) In 2014, Guangzhou Ship Industrial Company (“Guangzhou Company”), Huangpu Wenchong and Guangzhou Wenchong Shipyard Co., Ltd (“Wenchong Shipyard”) entered into a lease agreement in relation to land use right, pursuant to which Guangzhou Company shall lease the land use right owned by it in relation to the land at the Changzhou Plant and part of the land at the Wenchong Plant to Huangpu Wenchong and Wenchong Shipyard for use in operation. The rent for the land use right shall be determined based on the principle of asset depreciation, amortisation and taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use right commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong and Wenchong Shipyard are completed and commence formal production at its new plant.

(2) On 27 September 2014, the Company and Guangzhou Shipyard Industrial Co., Ltd. (“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 erected 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.

(3) On 9 November 2015, GSI and Guangzhou Shipyard Shipping Co., Ltd. (“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 erected 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.

(4) On 22 December 2015, GSI Yangzhou and CSSC Chengxi Shipbuilding Co., Ltd. ("CSSC Chengxi") entered into an assets lease Agreement, pursuant to which GSI Yangzhou shall lease 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 erected 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 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 22 December 2015.

(5) On 18 December 2015, GSI and Guangzhou Wenchong Dockyard Co., Ltd. (“Wenchong Dockyard”) entered into a property lease framework agreement in relation to the quarter for workers of CSSC Longxue base (stage 1 of phase I), pursuant to which the new worker’s village located in Longxue Island, Nansha District, Guangzhou was leased to Wenchong Dockyard as staff quarter. It was agreed that the rent shall be settled on a quarterly basis and the lease shall take effect retrospectively on 30 September 2015. Under the aforesaid framework agreement and based on the actual use of the staff quarter (including utilities expenses), the rent for such staff quarter for 2016 was approximately RMB13,240,000 in total.

2. Guarantees

Unit: Yuan Currency: RMB

Total amount of guarantees provided by the Company (including those provided for its subsidiaries)	
Total amount of guarantees provided for its subsidiaries during the Reporting Period	296,000,000.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	2,650,120,000.00
Total amount of guarantees	2,650,120,000.00
Total amount of guarantees as a percentage of the Company's net assets (%)	25.46
Notes on guarantees	During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB2,650 million, which were either provided by the Group for its subsidiaries 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 RMB1,650 million, and the balance of guarantee provided by Wenchong Shipyard for Huangpu Wenchong amounted to RMB500 million. The cap set out in the framework for the proposed guarantees between the Company and its subsidiaries for the year 2016 and their amounts has not been exceeded.

CAPITAL LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December2016, the Group had long-term borrowings of RMB8,339 million, and cash and cash equivalents prepared under the PRC Accounting Standards for Business Enterprises amounted to RMB9,885 million.

CHARGES ON GROUP ASSETS

As at 31 December2016, the Group had no fixed assets pledged for bank financing.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities.

GEARING RATIO

As at 31 December 2016, the Company's gearing ratio was 77.50%.

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

EMPLOYEES, REMUNERATION AND TRAINING

The remuneration of the employees of the Company and its subsidiaries includes salary, reward, and other welfare programs regulated by the PRC government. Subject to the relevant PRC laws and regulations, the Company implements salary system according to employees' position and performance, etc. The Company and its subsidiaries have formulated training plans for implementation in view of changes in strategic development and product structure and the needs of staff development. Through arranging all staff to participate in learning all kinds of business knowledge and comprehensive improvement of their integrated quality and position competence, human resources have been provided to support effective operation of the Company.

CHANGES IN SHARE CAPITAL

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

SHARE STRUCTURE

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

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

The Company always strictly conforms to the Company Law of the PRC and the Securities Law of the PRC, relevant regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange by continuously improving its corporate governance structure and standardizing its operations. During the Reporting Period, the Company's governance had no material deviations from the Company Law and relevant regulations issued by the China Securities Regulatory Commission. The Company has adopted the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "CG Code") as the corporate governance code of the Company. During the Reporting Period, the Company has been in strict compliance with the principles and code provisions and certain recommended best practices set out in the CG Code.

During the Reporting Period, the Company had been in compliance with Rule 3.10(1) of the Listing Rules which prescribes that there shall be at least three independent non-executive directors and Rule 3.10A of the Listing Rules which prescribes that at least one-third of the board of directors shall comprise independent non-executive directors. In addition, the Company has received annual confirmation of independence issued by each independent non-executive director in accordance with Rule 3.13 of the Listing Rules. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Listing Rules.

The Board comprises 11 directors, including 5 executive directors, 2 non-executive directors and 4 independent non-executive directors. Members of the Board have different industry backgrounds and expertise in corporate governance, finance and accounting, investment strategies, maritime engineering and equipment and legal affairs. Details of the members of the Board will be set out in the section headed "Directors, supervisors, senior management and staff" in the 2016 annual report.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and confirmed the annual financial reports for the year 2016 of the Company.

PROSPECT

Looking ahead 2017, the road to global economic recovery will remain tortuous. As China's economic growth slows down, it will be a key period for the conversion of old driving forces to new ones. Despite the remarkable achievements made in respect of eliminating production capacity and gradual improvement in the supply and demand dynamics in 2016, the growth of investments, consumption and export is not promising in the long run, and China's economy still faces great downward pressure.

In 2016, the global shipbuilding market further deteriorated, and major ship types all recorded poor performance, with the contract value of new shipbuilding orders reaching a record low of 20 years. In addition, due to the imbalanced supply and demand and the significant decrease in the prices of second-hand ships and resale ships, the prices of new ships showed a downward trend throughout the year. In general, as a result of global economic downturn, overcapacity in the shipping market, the ship and offshore engineering market faces imbalanced supply and demand and is in a period of in-depth adjustment. It is expected there will be no significant improvements and the downturn will continue in the near future.

Driven by government policies, the PRC shipbuilding industry ushered in new development opportunities in the cold period of market. Under the guidance of the relevant policies including “Made in China 2025”, the “National Strategic Emerging Industry Development Plan for the 13th Five-Year Period” and the Belt and Road Initiative, the PRC shipbuilding and offshore engineering industry focuses on the supply side reform and strives to make breakthroughs driven by innovations, develop high-end equipment, eliminate backward production capacity and promote the transformation and upgrading of the industry, anddevelop green, environmentally friendly, safe, highly-efficient innovative ships.

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

In the face of development opportunities and challenges brought by intensified industry consolidation and national industrial policies, the Group will actively take the initiative to adapt to the new normal of economic development by sticking to its corporate values of “mission, courage, passion and innovation” and focusing on “structure optimisation, deepening reform and innovations and development”. The Group will make full use of the “stabilizer” role of military products in the development of the Group and strengthen the product of military products in areas of strategic planning, technological innovation, military management and military culture. It will enhance the research of marine business by focusing on the development of polar module carriers, luxury RO/RO passenger ships and special ships and increasing the percentage of orders for these products, strive to increase the percentage of orders for ships with high technology and high added value and continue to promote the transformation and upgrading of its products and business. Through quality improvement and efficiency enhancement, the Group will continue to enhance operation management, improve production facilities, conduct orderly production capacity relocation to ensure smooth relocation of Liwan Plant, and strive to increase in production, shorten shipbuilding cycle and keep production cost under control. In addition, by following the principle of “modest and limited diversification into related industries”, the Group will accelerate the development of strong resources, and make new business grow stronger, better and bigger to provide new support for the Company to withstand market risks and improve economic performance.

BUSINESS PLAN FOR 2017

In 2016, the Group recorded operating income of RMB23,350 million, representing 89.89% of annual target for 2016; and secured orders with contract value of RMB22,044 million, representing 75.23% of annual target for 2016, both mainly due to the stagnant civil shipbuilding market.

In 2017, the Group plans to realize operating income of RMB22,400 million and secure orders with contract value of RMB23,100 million. In the meantime, the Group will strive to control its costs and expenses in order to maintain stable selling expense ratio and administrative expense ratio and improve the gross profit margin and profitability of its main products. To this end, the Group will continue to enhance production management, consolidate its internal sources and adjust its industrial planning, and actively respond to challenges in order to achieve its business plan for 2017..

The business objectives above do not represent the profit forecast of the Company for 2017, nor do they constitute undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investing risks.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement has been published on the Hong Kong Stock Exchange's website (www.hkex.com.hk) and the Company's website (comec.cssc.net.cn). The Company's annual report for the year ended 31 December 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders and will be published on the websites above.

PUBLICATION OF SOCIAL RESPONSIBILITY REPORT

The Social Responsibility Report of the Company for the year 2016 (containing the environmental, social and governance report prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in the Hong Kong Listing Rules) has been published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (comec.cssc.net.cn) on 31March 2017.

FINANCIAL STATEMENTS PREPARED ACCORDING TO ACCOUNTING STANDARDS OF THE PRC

(Amounts denominated in Renminbi unless otherwise specified)

Consolidated Balance Sheet

31 December 2016

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

Item	Ending balance	Beginning balance
Current assets:		
Monetary funds	12,347,969,978.26	17,664,365,754.92
Transaction settlement funds		
Placements with banks and non-bank financial		
Financial assets at fair value through profit or loss		13,063,411.11
Derivative financial assets		
Notes receivable	122,945,274.57	21,097,180.25
Accounts receivable	1,280,968,787.17	1,709,967,395.06
Prepayments	2,372,345,688.47	2,515,258,065.45
Insurance premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Interest receivable	138,243,843.26	192,335,788.34
Dividends receivable		635,116.05
Other receivables	72,448,156.82	694,376,182.24
Financial assets purchased under agreements to resell		
Inventories	12,349,605,017.16	10,742,673,543.44
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	1,892,964,428.05	845,000,000.00
Total current assets	**30,577,491,173.76**	**34,398,772,436.86**
Non-current assets:		
Loans and advances granted		
Available-for-sale financial assets	18,902,353.05	19,268,341.89
Held-to-maturity investments		
Long-term receivables	478,791,643.97	356,141,245.87
Long-term equity investments	68,961,676.66	78,062,223.23
Investment properties	22,880,075.84	23,508,788.00
Fixed assets	10,906,714,094.44	10,533,735,083.01
Construction in progress	670,750,840.41	731,737,560.48
Construction materials		
Disposal of fixed assets	2,572,359.05	
Productive biological assets		
Oil and gas assets		
Intangible assets	2,000,393,192.52	2,056,652,662.93
Development expenditure		
Goodwill		
Long-term deferred expenses	17,049,706.48	20,711,576.42
Deferred tax assets	502,717,150.15	477,364,386.52
Other non-current assets	1,001,361,563.30	300,000,000.00
Total non-current assets	**15,691,094,655.87**	**14,597,181,868.35**
Total assets	**46,268,585,829.63**	**48,995,954,305.21**

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

Consolidated Balance Sheet (Continued)

31 December 2016

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

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term borrowings	445,636,500.54	6,746,671,403.20
Loan from central bank		
Deposits from customers and other banks		
Placements from banks and other financial institutions		
Financial liabilities at fair value through profit or loss		181,241,917.70
Derivative financial liabilities		
Notes payable	1,916,069,525.06	2,364,995,314.53
Accounts payable	7,263,636,176.96	6,735,387,372.25
Advances from customers	596,195,202.34	627,518,169.05
Securities sold under agreements to repurchase		
Fee and commission payable		
Employee benefits payable	59,354,143.31	35,838,830.14
Taxes payable	127,111,097.76	-1,122,743,774.34
Interest payable	11,109,426.83	21,533,573.71
Dividends payable	3,806,004.54	256,103,771.17
Other payables	358,190,436.06	245,194,170.01
Reinsured accounts payable		
Reserves for insurance contracts		
Brokerage for trading securities		
Brokerage for underwriting securities		
Liabilities classified as held for sale		
Non-current liabilities due within one year	5,675,200,000.00	1,777,500,000.00
Other current liabilities	8,814,232,495.28	12,090,184,240.88
Total current liabilities	**25,270,541,008.68**	**29,959,424,988.30**
Non-current liabilities:		
Long-term borrowings	8,338,557,000.00	6,690,567,600.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term employee benefits payable	279,398,049.27	286,730,158.80
Special payables	1,390,339,744.58	984,839,744.58
Estimated liabilities	510,937,159.71	443,104,113.90
Deferred income	67,514,328.51	260,320,055.21
Deferred tax liabilities	499,094.19	2,310,530.93
Other non-current liabilities		
Total non-current liabilities	**10,587,245,376.26**	**8,667,872,203.42**
Total liabilities	**35,857,786,384.94**	**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	6,867,866,279.63	6,867,585,222.21

Less: Treasury shares		
Other comprehensive income	-60,441,217.45	-60,166,725.82
Special reserve	929,231.60	
Surplus reserve	952,284,741.72	943,767,421.48
Provision for general risks		
Undistributed profit	1,173,657,685.44	1,153,355,946.59
Total equity attributable to shareholders of the Company	**10,347,803,098.94**	**10,318,048,242.46**
Minority equity	62,996,345.75	50,608,871.03
Total equity	**10,410,799,444.69**	**10,368,657,113.49**
Total liabilities and equity	**46,268,585,829.63**	**48,995,954,305.21**

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

Balance Sheet of the Company

31 December 2016

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

Item	Ending balance	Beginning balance
Current assets:		
Monetary funds	118,028,234.52	3,725,827,025.99
Financial assets at fair value through profit or loss		1,597,147.55
Derivative financial assets		
Notes receivable	1,949,644.23	311,119.00
Accounts receivable	40,039,348.35	677,468,227.95
Prepayments	15,853,238.36	3,223,652,503.90
Interest receivable	270,183.33	69,002,234.43
Dividends receivable		47,600,000.00
Other receivables	1,857,655.78	3,476,271,808.07
Inventories	145,497,894.81	4,050,349,013.03
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	22,772,600.20	
Total current assets	**346,268,799.58**	**15,272,079,079.92**
Non-current assets:		
Available-for-sale financial assets		1,000,000.00
Held-to-maturity investments		
Long-term receivables	600,000,000.00	667,500,000.00
Long-term equity investments	8,535,717,482.56	6,203,078,728.58
Investment properties		23,508,788.00
Fixed assets	79,621,477.01	394,722,990.42
Construction in progress		205,913,567.86
Construction materials		
Disposal of fixed assets	2,467,859.05	
Productive biological assets		
Oil and gas assets		
Intangible assets	11,115,333.18	21,313,210.43
Development expenditure		
Goodwill		
Long-term deferred expenses	343,667.20	12,155,239.21
Deferred tax assets	20,000,000.00	20,000,000.00

Other non-current assets		
Total non-current assets	**9,249,265,819.00**	**7,549,192,524.50**
Total assets	**9,595,534,618.58**	**22,821,271,604.42**

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

Balance Sheet of the Company (Continued)

31 December 2016

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

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term borrowings	17,500,000.00	1,117,000,000.00
Financial liabilities at fair value through profit or loss		169,786,438.85
Derivative financial liabilities		
Notes payable		666,115,033.68
Accounts payable	88,485,154.94	2,949,424,645.21
Advances from customers	77,013,708.94	102,971,450.69
Employee benefits payable	1,323,940.47	19,231,876.14
Taxes payable	3,497,568.96	-926,830,947.39
Interest payable	339,166.66	4,398,553.01
Dividends payable	498,004.54	174,345.96
Other payables	22,045,279.71	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	**693,202,824.22**	**10,847,250,264.84**
Non-current liabilities:		
Long-term borrowings	100,000,000.00	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	4,543,266.47	229,399,586.26
Deferred income		218,225,166.74
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**203,913,266.47**	**3,318,370,822.79**
Total liabilities	**897,116,090.69**	**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	462,411,586.54	453,894,266.30
Undistributed profit	674,572,834.25	640,322,143.39
Total equity	**8,698,418,527.89**	**8,655,650,516.79**
Total liabilities and equity	**9,595,534,618.58**	**22,821,271,604.42**

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

Consolidated Income Statement

For the year of 2016

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

Item	Current year	Previous year
I. Total operating income	23,349,604,897.69	25,519,239,791.42
Of which: Operating income	23,349,604,897.69	25,519,239,791.42
Interest income		
Premium earned		
Fee and commission income		
II. Total operating costs	23,487,474,127.48	27,239,057,441.56
Of which: Operating costs	21,713,708,013.17	24,821,158,371.84
Interest expenses		
Fee and commission expenses		
Taxes and surcharges	70,579,480.62	26,058,415.07
Selling expense	116,743,820.71	210,814,276.68
Administrative expense	1,395,560,018.97	1,453,253,072.82
Finance cost	-17,946,547.67	336,489,851.01
Loss on impairment of assets	208,829,341.68	391,283,454.14
Add: Gain on changes in fair values (loss expressed with "-")	168,178,506.59	-129,608,691.45
Investment income (loss expressed with "-")	-48,371,480.29	2,034,308,125.58
Of which: Income from investment in associates and joint ventures	1,779,996.01	1,279,915.09
Exchange gain (loss expressed with "-")		
III. Operating profit (loss expressed with "–")	-18,062,203.49	184,881,783.99
Add: Non-operating income	216,170,412.85	289,796,380.33
Of which: Gain on disposal of non-current assets	2,302,601.24	675,421.88
Less: Non-operating expenses	78,673,400.06	4,966,346.67
Of which: Loss on disposal of non-current assets	10,722,317.94	3,910,944.82
IV. Total profit (loss expressed with "-")	119,434,809.30	469,711,817.65
Less: Income tax expense	32,746,647.37	365,814,179.00
V. Net profit (net loss expressed with "-")	86,688,161.93	103,897,638.65
Net profit attributable to shareholders of parent	71,224,250.43	98,320,709.38
Profit or loss attributable to minority interest	15,463,911.50	5,576,929.27
VI. Net other comprehensive income after tax	-274,491.63	-14,881,889.67
Net other comprehensive income after tax attributable	-274,491.63	-14,881,889.67
(1) Other comprehensive income that cannot be		-14,478,500.00
1. Changes in net liabilities or net assets arising from		-14,478,500.00
2. Share of other comprehensive income of investee		

(2) Other comprehensive income that will be	-274,491.63	-403,389.67
1. Share of other comprehensive income of investees		
2. Gain or loss on change in fair value of available-for-	-274,491.63	-403,389.67
3. Gain or loss on held-to-maturity investment re-		
4. Effective portion of gain or loss on cash flow hedges		
5. Exchange differences arising from translation of		
6. Others		
Net other comprehensive income after tax attributable		
VII. Total comprehensive income	86,413,670.30	89,015,748.98
Total comprehensive income attributable to owners of	70,949,758.80	83,438,819.71
Total comprehensive income attributable to minority	15,463,911.50	5,576,929.27
VIII. Earnings per share:		
(I) Basic earnings per share	0.0504	0.0709
(II) Diluted earnings per share	0.0504	0.0709

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

Income Statement of the Company

For the year of 2016

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

Item	Current year	Previous year
I. Revenue	350,658,685.74	10,492,252,507.38
Less: Operating costs	334,955,811.42	10,965,979,118.19
Taxes and surcharges	2,547,690.28	2,598,736.02
Selling expense	15,316,862.10	71,039,178.82
Administrative expense	18,753,411.65	400,134,778.93
Finance cost	-5,189,775.62	118,118,926.51
Loss on impairment of assets	-7,015,656.92	560,943,121.79
Add: Gain on changes in fair values (loss expressed with "-")		-125,462,527.27
Investment income (loss expressed with "-")	93,600,910.09	-60,844,632.04
Of which: Income from investment in associates and joint ventures		87,687.51
II. Operating profit (Loss expressed with "-")	84,891,252.92	-1,812,868,512.19
Add: Non-operating income	585,833.76	140,439,707.46
Of which: Gain on disposal of non-current assets		201,760.23
Less: Non-operating expenses	167,273.48	548,170.93
Of which: Loss on disposal of non-current assets		500,651.89
III. Total profit (loss expressed with "-")	85,309,813.20	-1,672,976,975.66
Less: Income tax expense	136,610.76	137,407,322.54
IV. Net profit (Net loss listed with "-")	85,173,202.44	-1,810,384,298.20
V. Net other comprehensive income after tax		
(1) Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods		

1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		
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 or loss in subsequent periods		
1. Share of other comprehensive income of investees that will be subsequently reclassified to profit or loss under equity method		
2. Gain or loss on change in fair value of available-for-sale financial assets		
3. Gain or loss on held-to-maturity investment re-classified into available-for-sale financial assets		
4. Effective portion of gain or loss on cash flow hedges		
5. Exchange differences arising from translation of foreign currency financial statements		
6. Others		
VI. Total comprehensive income	85,173,202.44	-1,810,384,298.20
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: Xie Weihong

Consolidated Cash Flow Statement

For the year of 2016

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

Item	Current year	Previous year
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	21,354,323,773.86	24,599,940,805.38
Net increase in deposits from customers and deposits from other banks		
Net increase in loans from central bank		
Net increase in placements from other financial institutions		
Cash receipts of premium for direct insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from insurance policy holders and investment		
Net increase in disposal of financial assets at fair value through profit or loss		
Cash receipts of interest, fee and commission		
Net increase in placements from other financial institutions		
Net increase in sales and repurchase operations		
Cash received from tax refund	1,116,311,913.86	991,882,287.09
Other cash receipts relating to operating activities	969,679,043.91	880,244,310.53

Sub-total of cash inflows from operating activities	23,440,314,731.63	26,472,067,403.00
Cash paid for goods and services	24,139,621,338.89	23,986,862,973.04
Net increase in loans and advances 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	2,277,206,344.37	2,154,246,882.33
Payments of taxes	304,265,173.79	455,806,824.65
Other cash payments relating to operating activities	480,295,509.75	933,402,796.75
Sub-total of cash outflows from operating activities	27,201,388,366.80	27,530,319,476.77
Net cash flow from operating activities	-3,761,073,635.17	-1,058,252,073.77
II. Cash flows from investing activities:		
Cash receipts from disposal of investments	2,060,000,000.00	50,500,000.00
Cash receipts from investment income	108,028,335.06	-50,832,425.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,041,211.69	416,693.73
Net cash received from disposal of subsidiaries and other business units	593,689,815.00	725,267,198.41
Other cash receipts relating to investing activities	13,303,365,260.32	11,178,003,216.24
Sub-total of cash inflows from investing activities	16,068,124,622.07	11,903,354,682.72
Cash paid to for acquisition of fixed assets, intangible assets and other long-term assets	802,992,946.89	855,504,056.18
Cash paid for investments	2,367,376,657.44	640,000,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		680,408,300.00
Other cash payments relating to investing activities	7,104,805,539.63	9,534,530,067.77
Sub-total of cash outflows from investing activities	10,275,175,143.96	11,710,442,423.95
Net cash flow from investment activities	5,792,949,478.11	192,912,258.77
III. Cash flows from financing activities:		
Cash receipts from receiving investments		1,585,323,292.57
Of which: Cash received by subsidiaries from receiving investments made by minority interest		
Cash receipts from loans obtained	12,958,871,619.31	24,726,222,047.64
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities	205,503,813.33	170,000,000.00
Sub-total of cash inflows from financing activities	13,164,375,432.64	26,481,545,340.21
Cash paid for repayment of debts	14,217,245,809.10	24,460,305,299.09
Cash paid for dividend, profit appropriation or interest expenses	753,864,000.21	489,679,251.14
Of which: Dividends and profits paid by subsidiaries to minority interest	395,200.00	
Other cash payments relating to financing activities		4,333,624.12
Sub-total of cash outflows from financing activities	14,971,109,809.31	24,954,318,174.35
Net cash flow from financing activities	-1,806,734,376.67	1,527,227,165.86
IV. Effect of change in foreign exchange rate on cash and cash equivalents	427,648,306.03	229,322,503.95
V. Net increase in cash and cash equivalents	652,789,772.30	891,209,854.81

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	9,885,435,368.48	9,232,645,596.18

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

Cash Flow Statement of the Company

For the year of 2016

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

Item	Current year	Previous year
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	774,197,975.52	9,620,628,940.98
Cash received from tax refund	74,859,331.27	308,668,937.68
Other cash receipts relating to operating activities	26,469,710.30	1,793,068,173.52
Sub-total of cash inflows from operating activities	875,527,017.09	11,722,366,052.18
Cash paid for goods and services	1,077,727,492.21	12,004,823,637.92
Cash paid to and on behalf of employees	50,902,095.52	375,799,399.55
Payments of taxes	15,190,485.79	112,285,983.77
Other cash payments relating to operating activities	42,187,066.82	281,306,852.70
Sub-total of cash outflows from operating activities	1,186,007,140.34	12,774,215,873.94
Net cash flow from operating activities	-310,480,123.25	-1,051,849,821.76
II. Cash flows from investing activities:		
Cash receipts from disposal of investments		
Cash receipts from investment income	93,600,910.09	-53,814,807.15
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		31,202.62
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities	1,188,488,969.20	3,272,830,729.33
Sub-total of cash inflows from investing activities	1,282,089,879.29	3,219,047,124.80
Cash paid to acquire fixed assets, intangible assets and other long-term assets	1,316,317.73	203,863,520.10
Cash paid for investments	3,367,252,991.39	3,005,413,332.60
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	117,500,000.00	1,527,023,000.00
Sub-total of cash outflows from investing activities	3,486,069,309.12	4,736,299,852.70
Net cash flow from investment activities	-2,203,979,429.83	-1,517,252,727.90
III. Cash flows from financing activities:		
Cash receipts from receiving investments		1,541,373,292.57
Cash receipts from loans obtained	87,500,000.00	13,553,612,719.70
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities		170,000,000.00
Sub-total of cash inflows from financing activities	87,500,000.00	15,264,986,012.27
Cash paid for repayment of debts	155,000,000.00	13,580,613,842.38
Cash paid for dividends, profit appropriation or interest expenses	54,856,938.99	141,103,092.78
Other cash payments relating to financing activities		3,547,126.33
Sub-total of cash outflows from financing activities	209,856,938.99	13,725,264,061.49

Net cash flow from financing activities	-122,356,938.99	1,539,721,950.78
IV. Effect of change in foreign exchange rate on cash and cash equivalents	657,700.60	51,022,475.62
V. Net increase in cash and cash equivalents	-2,636,158,791.47	-978,358,123.26
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	88,028,234.52	2,724,187,025.99

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. 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.

II. 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 give a true and fair view of information of the Company and the Group such as financial position as of 31 December 2016 and the results of operation and cash flows for 2016. The accounting policies prepared for the financial statements are consistent with the accounting policies applied in the prior year.

III. 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 to 31 December 2016. "Current Period" refers to the period from 1 January 2016 to 31 December 2016; "Last Period" refers to the period from 1 January 2015 to 31 December 2015. The currency is in RMB.

1. Accounts receivable

Name of project	Ending balance	Beginning balance
Accounts receivable	1,312,727,362.83	1,747,486,656.26
Less: Provision for bad debts	31,758,575.66	37,519,261.20
Net amount	**1,280,968,787.17**	**1,709,967,395.06**

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

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)

Within 1 year	921,591,190.56	4,602,120.49	0.50
1-2 years	327,841,342.80	16,670,168.94	5.08
2-3 years	28,494,054.02	212,222.62	0.74
3-4 years	14,734,622.57	291,563.68	1.98
4-5 years	9,859,520.44	4,502,160.91	45.66
Over 5 years	10,206,632.44	5,480,339.02	53.69
Total	**1,312,727,362.83**	**31,758,575.66**	**2.42**

(Continued)

Ageing	**Beginning balance**		
	Accounts receivable	**Provision for bad debts**	**Percentage (%)**
Within 1 year	1,629,786,151.55	12,095,764.59	0.74
1-2 years	61,228,720.04	364,792.83	0.60
2-3 years	21,062,108.45	225,691.11	1.07
3-4 years	14,215,910.78	9,164,423.64	64.47
4-5 years	11,257,082.83	9,627,071.05	85.52
Over 5 years	9,936,682.61	6,041,517.98	60.80
Total	**1,747,486,656.26**	**37,519,261.20**	**2.15**

(2). Terms of sales on credit

Business	**Term of credit**
Shipbuilding	1 month after invoicing
Other Business	Normally 1 to 6 months

(3). Classification of accounts receivable by risk

Type	Ending balance					Beginning balance				
	Carrying amount		Provision for bad debts		Net amount	Carrying amount		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that are individually significant and for which bad debt provision have been made on an individual basis	18,128,000.00	1.38	10,876,800.00	60.00	7,251,200.00					
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	1,280,117,698.16	97.52	6,400,110.99	0.50	1,273,717,587.17	1,718,560,196.04	98.35	8,592,800.98	0.50	1,709,967,395.06
Accounts receivable that are individually insignificant but for which bad debt provision have been made on an individual basis	14,481,664.67	1.10	14,481,664.67	100.00		28,926,460.22	1.65	28,926,460.22	100.00	
Total	1,312,727,362.83	–	31,758,575.66	–	1,280,968,787.17	1,747,486,656.26	–	37,519,261.20	–	1,709,967,395.06

1) Accounts receivable that are individually significant and are provided for bad debts separately as at the end of the year

Name	Ending balance			
	Accounts receivable	Provision for bad debts	Percentage (%)	Reasons for provision
Shenzhen Shunchang Ocean Fishery Co., Ltd.	18,128,000.00	10,876,800.00	60.00	Note
Total	**18,128,000.00**	**10,876,800.00**	—	—

Note: There are disputes about the quality of the completed ships (delivered ships) between Guangzhou Wenchong Shipyard Co. Ltd., a subsidiary of the Company, and Shenzhen Shunchang Ocean Fishery Co., Ltd., the ship owner, and the remaining balance is expected to be unable to recover.

2) Accounts receivable in the portfolio for which bad debt provision is made using percentage method:

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	920,675,642.39	4,602,120.49	0.50
1-2 years	311,146,118.85	1,555,847.34	0.50
2-3 years	27,311,830.01	137,222.62	0.50
3-4 years	14,515,637.08	72,578.19	0.50
4-5 years	2,170,687.50	10,853.44	0.50
Over 5 years	4,297,782.33	21,488.91	0.50
Total	**1,280,117,698.16**	**6,400,110.99**	—

3) Accounts receivable that are individually insignificant and are provided for bad debts separately as at the end of the year:

Name	Ending balance			
	Accounts receivable	Provision for bad debts	Percentage (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,237,521.60	4,237,521.60	100.00	Expected to be unable to recover due to contractual disputes
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	2,853,793.41	2,853,793.41	100.00	There are signs of impairment due to long overdue
Chongqing Yuandong Fushi Electromechanical Company	894,670.00	894,670.00	100.00	There is risk of collection as the agency has been unable to recover from the owner.
Fuzhou Hongjia Electronic Technology Company	653,188.00	653,188.00	100.00	There is risk of collection as the agency has been unable to recover from the owner.

Name	Ending balance			
	Accounts receivable	Provision for bad debts	Percentage (%)	Reasons for provision
Chongqing South Group Company	263,698.87	263,698.87	100.00	As agreed in contract, the accounts receivable shall be set off against with properties, and there are disputes about the amount payable
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Long ageing and low probability of recovery
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Long ageing and low probability of recovery
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long ageing and low probability of recovery
China Railway 12th Bureau Group Co., Ltd.	138,281.00	138,281.00	100.00	Long ageing and low probability of recovery
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Long ageing and low probability of recovery
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long ageing and low probability of recovery
Wuhan Yuji Property Co., Ltd.	105,500.00	105,500.00	100.00	There is risk of collection as the agency has been unable to recover from the owner.
15 other companies	586,456.27	586,456.27	100.00	
Total	**14,481,664.67**	**14,481,664.67**	—	—

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

Provision for bad debts made during the year amounted to RMB10,900,429.89; provision for bad debts released or reversed during the year amounted to RMB9,764,385.10.

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

Name	Amount reversed (or released) during the year	Recovery method	Reason for reversal (or release) during the year
THYSSENKRUPP MATERIALS HANDLING	9,658,385.10	Note	Note
Yin Ganhui	36,000.00	Cash receipts	Receipt of goods payment
Chengdu Merro Steel Grating Co., Ltd.	35,000.00	Cash receipts	Receipt of goods payment
Fuzhou Hongjia Electronic Technology Company	35,000.00	Cash receipts	Receipt of goods payment
Total	**9,764,385.10**		

Note: The balance of accounts receivable of the Company due from THYSSENKRUPP MATERIALS HANDLING (“TKMH”) for the reclaimer project was RMB9,658,385.10, which had been unable to recover due to quality issue. In 2015, the Company made full provision for impairment of the balance of accounts receivable. On 8 April 2016, the parties agreed through negotiations that TMKH agreed to waive its quality claim and return the quality guarantee for the project and the Company agreed to waive the right to claim accounts receivable from TKMH in order to compensate TKMH for all the maintenance expense for all quality defects for reason of the Company identified by it. As a result, the Company reversed the provision for bad debts for accounts receivable of RMB9,658,385.10 and made provision for cost of sales and maintenance fee of RMB9,658,385.10.

(5). Accounts receivable written-off during the year

Item	Amount written-off
Accounts receivable written-off	6,896,730.33

Significant accounts receivable written-off:

Name	Nature of accounts receivable	Amount written-off	Reason for writing-off	Procedures for writing-off	Whether arising from related party transaction
Guangzhou Weikang Coking Equipment Technology Co., Ltd.	Construction expenses	21,429.00	Unable to recover due to quality issue	Approved by management	No
Chongqing Guangchuan Elevators Co., Ltd.	Loan and retention money	129,999.76	Unable to recover despite efforts	Approved by management	No
Chongqing Yicheng Property Co., Ltd.	Loan and retention money	123,465.32	Unable to recover despite efforts	Approved by management	No
Guilin Hongyun Elevators Company	Loan and retention money	398,250.00	Unable to recover despite efforts	Approved by management	No
Changshu Danieli Metallurgical Equipment Co., Ltd.	Construction expenses	700,000.00	Warranty, agreed by the parties not to be recovered	Approved by management	No
ASTA LTD-KINGSTOWN ST.VINCENT AND THE GRENADINES C/O	Ship repair	5,523,586.25	No remaining balance for repayment following auction	Resolution of the Board	No
Total		**6,896,730.33**			

(6). Top five accounts receivable by ending balance of debtors

Name	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts Ending balance

Name	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts Ending balance
Unit:	Third party	161,762,729.13	1-2 years	12.32	808,813.65
Unit:	Third party	161,556,726.00	0-5 years	12.31	807,783.63
Unit:	Third party	148,740,137.30	0-2 years	11.33	743,700.69
Unit:	Third party	95,181,300.00	0-2 years	7.25	475,906.50
Unit:	Third party	85,770,000.00	Within 1 year	6.53	428,850.00
Total		**653,010,892.43**		**49.74**	**3,265,054.47**

2. Accounts payable

(1). Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	5,699,473,766.19	5,294,699,709.50
Settlements for projects	367,141,331.15	317,751,893.10
Product settlement	450,339,867.73	489,885,334.50
Retention money	356,243,447.31	279,016,442.68
Other projects and labour services	390,437,764.58	354,033,992.47
Total	**7,263,636,176.96**	**6,735,387,372.25**

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

Ageing	Ending balance	Begining balance
Within 1 year	6,412,627,506.32	6,294,237,944.36
1-2 years	564,707,692.41	228,221,851.45
2-3 years	124,352,471.96	138,489,337.36
Over 3 years	161,948,506.27	74,438,239.08
Total	**7,263,636,176.96**	**6,735,387,372.25**

(3). Significant accounts payable aged over one year

Name	Ending balance	Including: Over 1 year	Reason for unsettlement or carrying forward
China Shipbuilding NDRI Engineering Co.,Ltd	84,818,252.64	72,707,559.65	Payment for construction in progress
CSSC Systems Engineering Research Institute	341,167,500.00	62,803,400.00	Provisional estimates for finished products
Technology Department of a certain division of the People 's Liberation Army	81,700,700.00	47,138,400.00	Undue
Nanjing Panda Handa Technology Company Limited	57,295,000.00	35,895,000.00	Retention money

Name	Ending balance	Including: Over 1 year	Reason for unsettlement or carrying forward
China Shipbuilding Industry Corporation B Research Institute	198,912,650.00	31,380,050.00	Retention money
Aviation Technology Research Institute of China Aerospace Science and Industry	95,310,000.00	25,560,000.00	Equipment warranty and provisional estimates
HavyardGlobalSolutionsAS	24,262,779.64	24,262,779.64	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation C Research Institute	18,400,000.00	18,400,000.00	Retention money
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,472,294.28	18,472,294.28	Undue
Dalian Marine Diesel Engine Co., Ltd.	14,800,000.00	14,593,373.00	Retention money
SandvikMiningandConstructionMaterialHandingGmbH&CoKG	14,696,597.92	13,757,219.01	Undue
China Offshore Environmental Service Co., Ltd.	13,385,154.00	13,385,154.00	Equipment warranty and provisional estimates
CSSC Marine Power Co. Ltd.	29,780,970.00	9,795,223.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	538,648,153.42	9,562,383.75	Undue
Wuhan Marine Machinery Plant Co., Ltd.,	13,231,500.00	8,417,500.00	Undue
Anqing CSSC Diesel Engine Co., Ltd.	24,216,000.00	7,188,000.00	Retention money
Hudong Heavy Machinery Co., Ltd.	24,789,500.00	5,994,500.00	Retention money
CSSC Huahai Marine Equipment Co., Ltd.	4,596,500.00	4,596,500.00	Undue
Shaanxi Diesel Engine Heavy Industry Co., Ltd.	4,295,999.98	4,295,999.98	Undue
Hongye Construction Engineering Co., Ltd.	6,474,016.13	4,156,685.26	Undue
China Shipbuilding Industry Corporation D Research Institute	37,487,000.00	3,333,000.00	Retention money
China Shipbuilding Industry Corporation E Research Institute	3,230,000.00	2,888,000.00	Retention money
Shanghai Haixun Mechanical and Electronic Engineering Co., Ltd.	20,405,375.35	2,813,607.75	Retention money
Guangzhou Shun Hai Lifesaving Equipment Co.	2,700,000.00	2,700,000.00	Retention money
China Electronic Technology Group Corporation A Research Institute	2,520,000.00	2,520,000.00	Undue
D&A Technology (Shanghai) Co., Ltd.	2,450,082.60	2,450,082.60	Retention money
Total	**1,678,046,025.96**	**449,066,711.92**	

3. Undistributed profit

Item	Current year	Last year
Ending balance of the previous year	**1,153,355,946.59**	**1,310,184,662.42**
Add: Beginning adjustment to undistributed profits		
Beginning balance of the year	**1,153,355,946.59**	**1,310,184,662.42**

Item	Current year	Last year
Add: Net profit attributable to shareholders of the Company for the year	71,224,250.43	98,320,709.38
Less: Statutory surplus reserve set aside	8,517,320.24	
Discretionary surplus reserve set aside		
General risk provision made		
Dividends on ordinary shares payable	42,405,191.34	255,149,425.21
Ending balance of the year	**1,173,657,685.44**	**1,153,355,946.59**

4. Net current assets

Item	Ending balance	Beginning balance
Current assets	30,577,491,173.76	34,398,772,436.86
Less: Current liabilities	25,270,541,008.68	29,959,424,988.30
Net current assets	**5,306,950,165.08**	**4,439,347,448.56**

5. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	46,268,585,829.63	48,995,954,305.21
Less: Current liabilities	25,270,541,008.68	29,959,424,988.30
Total assets less current liabilities	**20,998,044,820.95**	**19,036,529,316.91**

6. Operating income & Operating cost

Item	Current year	Last year
Revenue from principal business	23,077,218,771.82	25,244,868,269.93
Revenue from other business	272,386,125.87	274,371,521.49
Total	**23,349,604,897.69**	**25,519,239,791.42**
Costs of principal business	21,496,215,754.88	24,615,050,816.56
Costs of other business	217,492,258.29	206,107,555.28
Total	**21,713,708,013.17**	**24,821,158,371.84**

Gross profit from principal business

Item	Current year	Last year
Revenue from principal business	23,077,218,771.82	25,244,868,269.93
Costs of principal business	21,496,215,754.88	24,615,050,816.56
Gross profit	1,581,003,016.94	629,817,453.37

Revenue from Construction contracts

Item	Current year	Last year
Revenue from Construction contracts	21,466,878,717.33	23,455,556,253.70

(1) Main operation – by product

Product name	Current year	Last year
Operating income		
Shipbuilding	18,754,775,750.13	17,866,531,888.29
Offshore engineering products	2,577,790,855.88	5,589,024,365.41
Ship maintenance	384,298,812.73	325,085,211.89
Steel structure engineering	900,321,575.21	877,728,423.35
Electromechanical products and others	460,031,777.87	586,498,380.99
Total	**23,077,218,771.82**	**25,244,868,269.93**
Operating cost		
Shipbuilding	17,849,283,111.95	18,094,692,293.09
Offshore engineering products	2,190,171,776.63	4,903,229,269.72
Ship maintenance	305,032,157.86	272,290,249.41
Steel structure engineering	803,930,677.36	826,665,071.09
Electromechanical products and others	347,798,031.08	518,173,933.25
Total	**21,496,215,754.88**	**24,615,050,816.56**

(2) Main operation – by region

Region	Current year	Last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	15,938,941,577.42	15,357,756,253.15
Other regions in Asia	1,670,867,043.34	1,366,451,925.85
Europe	4,691,379,889.36	6,383,139,684.49
Oceania	592,565,668.85	1,818,632,261.02
North America	15,518,639.24	252,583,712.91
Africa	167,945,953.61	60,232,770.37
South America		6,071,662.14
Total	**23,077,218,771.82**	**25,244,868,269.93**
Operating costs		
China (including Hong Kong, Macau and Taiwan)	14,710,069,491.33	14,001,201,497.44
Other regions in Asia	1,649,228,596.61	1,587,187,170.66
Europe	4,386,680,409.29	6,496,695,029.26
Oceania	573,690,921.80	2,152,893,717.68
North America	19,627,963.40	244,225,161.85

Region	Current year	Last year
Africa	156,918,372.45	127,939,217.38
South America		4,909,022.29
Total	**21,496,215,754.88**	**24,615,050,816.56**

(3) Other operating income and other operating cost

Product name	Current year	Last year
Revenue from other business		
Sale of materials	48,895,779.75	77,613,210.27
Sales of scrap materials	52,853,141.07	63,770,923.30
Service income	11,200,125.03	34,075,075.43
Rental income	91,384,340.83	33,478,977.37
Energy income	58,607,482.88	57,262,724.53
Others	9,445,256.31	8,170,610.59
Total	**272,386,125.87**	**274,371,521.49**
Costs of other business		
Sale of materials	45,858,963.14	54,678,676.20
Sales of scrap materials	39,661,044.40	44,587,808.28
Service income	8,659,367.59	26,525,386.96
Rental income	63,152,982.68	24,599,896.34
Energy income	59,021,041.24	50,864,923.04
Others	1,138,859.24	4,850,864.46
Total	**217,492,258.29**	**206,107,555.28**

(4) Contract revenue

Item		Total contract amount	Accumulated cost incurred	Accumulated gross profit recognised	Amount settled	Provision for obsolete stocks as at the end of the year
Fixed price contracts	**Total contracts under construction**	**56,031,948,440.25**	**25,924,857,122.67**	**356,648,626.45**	**25,658,733,970.32**	**185,757,904.42**
	115,000 ton oil tanker	2,605,203,181.35	1,592,895,258.40	-145,733,617.68	743,833,646.16	8,144,751.14
	250,000 ton ore sand tanker	3,474,421,449.40	2,035,694,000.90	-140,820,478.28	870,932,801.00	5,397,870.49
	300,000 ton ore sand tanker	1,955,566,266.00	12,175,938.33		317,088,488.00	
	50,000 ton tanker	5,563,425,003.07	3,650,263,579.95	-271,492,509.34	2,276,915,496.47	22,246,056.98
	Barge	35,897,435.91	3,888,575.13			
	Multi-purpose ships	734,939,490.51	317,536,481.21	3,643,191.29	281,043,831.01	37,400,710.56
	Multi-purpose	586,080,000.00	139,532,435.86	10,233,148.81	95,725,524.11	

Item		Total contract amount	Accumulated cost incurred	Accumulated gross profit recognised	Amount settled	Provision for obsolete stocks as at the end of the year
	heavy lift ships					
	Non-ship building contract	42,993,418.80	54,823,958.10	-4,433,097.75	16,376,068.32	506,290.58
	Engineering ships	759,050,551.33	222,555,294.26	13,591,595.27	174,550,758.00	
	Offshore engineering platform	3,491,662,600.27	1,751,543,159.04	74,802,528.92	356,838,046.29	3,924,672.81
	Containerships	4,452,661,801.00	1,816,064,248.31	15,745,235.64	820,961,635.01	62,723,070.12
	Survey ships	1,070,520,000.00	1,070,829,100.70	-8,673,431.81	749,364,000.00	
	Ro-ro passenger ships	2,407,020,168.46	902,692,008.86	109,081,406.48	1,168,226,350.43	
	Crane ships	340,849,576.84	340,462,540.52	-7,814,005.20	198,359,803.69	
	Bulk carriers	1,241,526,055.60	780,001,622.35	14,066,749.52	210,099,658.91	7,728,500.00
	Special ships	25,379,750,967.67	10,961,360,930.71	677,226,702.03	16,943,787,996.19	37,685,981.74
	Tugs	592,307,692.32	47,358,402.72		319,329,161.55	
	Dredgers	948,717,948.72	119,625.47		34,997,417.18	
	Asphalt ships	349,354,833.00	225,059,961.85	17,225,208.55	80,303,288.00	

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 year	Proportion (%)
Customer 1	6,917,945,850.48	29.98
Customer 2	1,618,724,704.53	7.01
Customer 3	1,077,456,296.26	4.67
Customer 4	818,661,535.58	3.55
Customer 5	768,405,561.25	3.33
Total	**11,201,193,948.10**	**48.54**

(6) Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount	Proportion (%)
Entity 1	Under common control of CSSC	3,122,995,597.83	14.53
Entity 2	Under common control of CSSC	786,708,080.34	3.66
Entity 3	Under common control of CSSC	608,548,444.44	2.83

Suppliers	Relationship with the Group	Amount	Proportion (%)
Entity 4	Third party	440,508,760.68	2.05
Entity 5	Third party	331,225,641.03	1.54
Total		**5,289,986,524.32**	**24.61**

7. Finance cost

(1). Breakdown of finance costs

Item	Current year	Last year
Interest expenses	457,366,076.46	517,502,401.83
Less: Interest income	350,493,138.33	400,748,287.94
Add: Exchange losses	-159,441,673.70	203,901,847.29
Add: Other expenses	34,622,187.90	15,833,889.83
Total	**-17,946,547.67**	**336,489,851.01**

(2). Breakdown of interest expenses

Item	Current year	Last year
Interest on bank loans and overdraft		
Interest on bank loans due within 5 years	410,881,399.54	319,555,280.83
Other borrowings		
Interest on other borrowings due within 5 years	49,097,562.78	203,853,240.18
Other interest expenses	6,123,292.57	
Sub-total	466,102,254.89	523,408,521.01
Less: Capitalized interest	8,736,178.43	5,906,119.18
Total	**457,366,076.46**	**517,502,401.83**

(3). Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	326,129,452.53	400,748,287.94
Interest income for receivables	24,363,685.80	
Total	**350,493,138.33**	**400,748,287.94**

8. Gain/loss on change in fair value

Item	Current period	Corresponding period of last year
Financial assets at fair value through profit or loss	-13,063,411.11	34,643,440.26
Financial liabilities at fair value through profit or loss	181,241,917.70	-164,252,131.71
Total	**168,178,506.59**	**-129,608,691.45**

9. Investment income

Item	Current year	Last year
Gain on long-term equity investments accounted for using equity method	1,779,996.01	1,279,915.09
Investment income from disposal of long-term equity investments	26,896,200.00	2,054,974,131.69
Investment income from disposal of financial assets at fair value through profit and loss	-153,955,707.44	-62,099,186.96
Investment income from holding entrusted wealth management products	75,873,758.87	39,097,148.39
Investment income from holding available-for-sale financial assets	1,034,272.27	1,056,117.37
Total	**-48,371,480.29**	**2,034,308,125.58**

The investment income from investment in listed companies and non-listed companies for the year amounted to RMB149,621.74 and RMB-48,521,102.03, respectively.

10. Non-operating income

(1). Breakdown of non-operating income

Item	Current year	Last year	Amount included in non-recurring gains and losses during the year
Gain on disposal of non-current assets	2,302,601.24	675,421.88	2,302,601.24
Of which: Gain on disposal of fixed assets	2,302,601.24	675,421.88	2,302,601.24
Government grants	206,083,062.71	282,053,931.52	125,739,665.59
Penalty income	350,465.70	76,100.00	350,465.70
Compensation income	2,529,023.43	427,300.00	2,529,023.43
Others	4,905,259.77	6,563,626.93	4,905,259.77
Total	**216,170,412.85**	**289,796,380.33**	**135,827,015.73**

The amount included in non-recurring profit and loss for current period was RMB135,827,015.73 (previous year: RMB204,461,794.92)

(2). Breakdown of government grants

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Research of shipbuilding process and technology	3,189,746.59	16,981,842.95	Government subsidies	Relating to revenue

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Development of double-fuel high-speed luxury Ro/Ro ships	7,600,000.00		MIIT	Relating to revenue
Research of comprehensive building process and technology for ships	5,000,000.00		Government subsidies	Relating to revenue
Decoration design and building technology research for typical cabins of luxury cruises		6,600,000.00	MIIT	Relating to revenue
Third batch of technological funding arrangement for 2015	4,925,125.00		Sui Ke Chuang Zi [2015] No. 6	Relating to revenue
Technological innovation special fund	4,925,125.00		Sui Ke Xin [2014] No. 2	Relating to revenue
Export credit insurance special funds for 2015	4,000,000.00		Liwan District Financial and Treasury Payment Centre in Guangzhou, Sui Cai Jing [2015] No. 354	Relating to revenue
Special funds for cultivation of provincial high-tech enterprises for 2015	3,311,700.00		Sui Ke Chuang Zi [2015] No. 186	Relating to revenue
Land use tax relief	1,627,468.66		Liwan District Local Taxation Bureau, Cai Shui Zi [1995] No. 27	Relating to revenue
Property tax relief	1,236,992.39		Liwan District Local Taxation Bureau, Circular (87) Yue Shui San Zi No. 023	Relating to revenue
Revenue from product subsidies		85,334,585.41	Government subsidies	Relating to revenue
Research of key technologies for polar deck ships	4,950,000.00	9,900,000.00	MIIT	Relating to revenue
Development and industrialization of intelligent manufacturing integrated platform for marine products	1,012,545.13		Government subsidies	Relating to revenue
Research and development and industrial application of	918,666.37		National Development and Reform	Relating to revenue

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
FPSO upgrading technology			Commission	
Special grants for key enterprises conducting industrial transformation and upgrading for 2016	1,000,000.00		Government subsidies	Relating to revenue
Offshore expansion projects	3,500,000.00	3,500,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao Ji Gai [2009] No. 666, Sui Jing Mao [2009] No. 870	Relating to assets
Offshore engineering phase I	1,500,000.00	1,500,000.00	Yue Cai Gong [2010] No. 445	Relating to assets
Offshore platform project	300,000.00	300,000.00	Sui Fa Gai [2013] No. 308	Relating to assets
Research and development of diving support ships	3,000,000.00	3,000,000.00	Gong Xin Bu Lian Zhuang [2014] No. 507	Relating to revenue
Research and development and industrialization of deep-sea large-output rescue ships		28,000,000.00	Chuan Gong Ke [2013] No. 913	Relating to revenue
Research and development of key technologies for meter deepwater drillships	5,000,000.00	14,400,000.00	Chuan Gong Ke [2013] No. 912	Relating to revenue
Subsidy for supplementing and improving maritime engineering equipment production facilities construction	5,000,000.00		Government subsidies	Relating to revenue
Research and manufacture of drilling wave compensation device	1,850,000.00	2,350,000.00	Chuan Gong Ke [2014] No. 22	Relating to revenue
Research and development of offshore field environment-friendly operation ships		13,720,000.00	Gong Xin Bu Lian Zhuang [2012] No. 537	Relating to revenue
Research of key technologies for polar multi-purpose ships	1,080,000.00	720,000.00	Gong Xin Bu Lian Zhuang [2014] No. 507	Relating to revenue
Research and development and industrial application of design and building		28,000,000.00	Government subsidies	Relating to revenue

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
technology for semi-submerged carriers				
Interest subsidy	25,993,771.00	21,764,871.33	Ministry of Finance	Relating to revenue
Research of ship building process	3,000,000.00		Government subsidies	Relating to revenue
Post subsidies from Huangpu District Government for research and development expenses in 2014	7,680,600.00	19,623,130.00	Government subsidies	Relating to revenue
Research of assembly and building process for domestic ancillary facilities	2,000,000.00		Government subsidies	Relating to revenue
Research and development and industrial application of design and building technology for FPSO domestic module units		5,600,000.00	National Development and Reform Commission	Relating to revenue
Research and development of semi-submerged engineering ships	6,827,333.64	6,172,666.36	National Development and Reform Commission	Relating to revenue
Job stabilization subsidy	7,162,708.41		Sui Ren She Fa (2016) No. 6	Relating to revenue
Steady industrial growth bonus	2,030,000.00		Government subsidies	Relating to revenue
Grant for insurance premium for first piece (set)	53,210,000.00		Government subsidies	Relating to revenue
Funding encouraging transformation and upgrading of industrial enterprises and production expansion for 2015	10,000,000.00		Sui Kai Guan Ban (2015) No. 35	Relating to revenue
Special provincial financial subsidies for 2015	4,063,300.00		Sui Ke Chuang Zi (2016) No. 68	Relating to revenue
Research and development of key technologies for ships	1,700,000.00		Ke Gong Ji [2016] No. 637	Relating to revenue
Post subsidy	2,681,200.00		Sui Ke Chuang Zi [2016] No. 203	Relating to revenue
Other projects	14,806,780.52	14,586,835.47		
Total	**206,083,062.71**	**282,053,931.52**		

(3). Others

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

11. Income tax expense

(1). Income tax expense

Item	Current year	Last year
Current income tax calculated in accordance with the tax law and relevant regulations	59,819,350.53	110,280,662.23
- PRC enterprise income tax	50,035,538.78	107,719,649.62
- Hong Kong profits tax	9,814,849.13	2,561,012.61
- Macau income tax	-31,037.38	
Deferred income tax expenses	-27,072,703.16	255,533,516.77
Total	**32,746,647.37**	**365,814,179.00**

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

Item	Current year
Total consolidated profit for the year	119,434,809.30
Income tax expenses calculated at statutory/applicable tax rate	29,858,702.33
Impact of different tax rates for subsidiaries	-31,892,002.26
Impact of adjustment for income tax for previous period	-616,980.54
Impact of non-taxable income	-308,839.54
Impact of non-deductible costs, expenses and losses	913,846.52
Impact of utilisation of deductible loss for which no deferred tax assets are previously recognised	-1,369,481.58
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	37,016,847.44
Other (including the effect of deduction)	-855,445.00
Income tax expense	**32,746,647.37**

(3). Main taxes and rates

Type	Basis of calculation	Tax rate
PRC enterprise income tax	Taxable income	15%, 20%, 25%
Hong Kong profits tax	Taxable income	16.5%
Macau income tax	Taxable income	12%
Value-added tax	Domestic sales; provision of processing, repair and repair services; rental income	17%
	Revenue from construction and installation business[Note 1]	11%

Type	Basis of calculation	Tax rate
	Modern services industry[Note 1]	6%
Business Tax	Revenue from construction and installation business[Note 1]	3%
	Revenue from other services[Note 1]	5%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

Note: Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36) and the related policies for conversion of business tax to value-added tax, since 1 May 2016, revenue from construction and installation business and other labour services of the Group is subject to valued-added tax, rather than to business tax.

Notes on taxpayers subject to different enterprise income tax rates:

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
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

1. Value-added tax

Export income: The Group is an enterprise engaged in production and operation. Tax relief, credit and rebate policy is applicable to all of its self-produced goods for export. The tax rebate rate is 17% for ship products, 9% for steel structure products and 15% for large equipment.

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

Revenue from software: In accordance with the Circular of the State Administration of Taxation of the Ministry of Finance on the Value-added Tax Policy of Software Products (Cai Shui [2011] No.

100), value-added tax at a rate of 17% is applicable to sales of self-developed software by a value-added tax general taxpayer, and the portion of actual value-added tax burden in excess of 3% may be recovered upon payment in accordance with the relevant policy.

2) Enterprise income tax

The Company passed the certification of first batch of high-tech enterprises in 2014 with a validity period of three years. 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. In 2016, the Company is no longer qualified as a high technology enterprise and as such is no longer entitled to preferential income tax treatments. The income tax rate of 25% is applicable to the Company.

Guangzhou Hongfan Technology Co., Ltd., a subsidiary of the Company, passed the certification of first batch of high-tech enterprises in 2014 with a validity period of three years, enterprise income tax for 2016 shall be paid at a rate of 15%;

CSSC Huangpu Wenchong Shipbuilding Company Limited, a subsidiary of the Company, passed the certification of second batch of high-tech enterprises in 2015 with a validity period of three years, enterprise income tax for 2016 shall be paid at a rate of 15%;

Guangzhou Shipyard International Company Limited and Guangzhou Wenchong Shipyard Co. Ltd., both subsidiaries of the Company, passed the certification of third batch of high-tech enterprises in 2016 with a validity period of three years, enterprise income tax for 2016 shall be paid at a rate of 25% as the Company fails to complete tax filing.

12. Earnings per share:

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

The numerator of the diluted earnings per share attributable to ordinary shareholders is the Company’s net profit after adjustment of the following factors: (1) the 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 date of issue.

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

Item	**No.**	**Current year**	**Last year**
Net profit attributable to shareholders of parent company	1	71,224,250.43	98,320,709.38
Non-recurring profit and loss attributable to the company	2	167,220,771.03	1,717,958,577.06
Net profit attributable to shareholders of the Company, net of exceptional items	3=1-2	-95,996,520.60	-1,619,637,867.68
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 distribution of shares (I)	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		9.00
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	12.00	12.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,385,788,271.25
Weighted average number of ordinary shares adjustments because of business combination under common control	13	1,413,506,378.00	1,317,763,446.25
Basic earnings per share (I)	14=1÷12	0.0504	0.0709
Basic earnings per share (II)	15=3÷13	-0.0679	-1.2291
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		

Item	No.	Current year	Last year
Diluted earnings per share (I)	20=[1+(16-18)×(1-17)]÷(12+19)	0.0504	0.0709
Diluted earnings per share (II)	21=[3+(16－18)×(1-17)]÷(13+19)	-0.0679	-1.2291

13. Dividend

Final dividends for the year ended 31 December 2015 totalling RMB42,405,191.34 were declared and paid during the year ended 31 December 2016 (2015: RMB0).

In accordance with a resolution passed at a Board meeting held on 31 March 2017, the Company proposes to pay a dividend for the year ended 31 December 2016 of RMB22,616,102.05 (corresponding period of last year: RMB42,405,191.34). In 2016, the Group realised net profit attributable to shareholders of the Company of RMB71,224,250.43, and the Company's total undistributed profit for 2016 was RMB674,572,834.25. Based on the total share capital of the Company as at 31 December 2016 of 1,413,506,378 shares, a cash bonus of RMB0.16 (inclusive of tax) for every 10 shares, totalling RMB22,616,102.05 (inclusive of tax), is proposed for distribution. The remaining undistributed profit will be carried forward to next year. The Company will not increase its share capital by way of capitalisation of reserves for 2016. The profit distribution proposal is subject to approval at the annual general meeting for 2016.

14. Depreciation and amortization

Item	Current period	Corresponding period of last year
Depreciation of investment properties	628,712.16	628,712.16
Depreciation of fixed assets	661,376,968.72	662,525,304.29
Amortisation of intangible asset	58,510,981.04	60,598,487.73
Amortisation of long-term prepaid expenses	11,990,156.47	5,809,859.86
Total	**732,506,818.39**	**729,562,364.04**

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 Bao Zi [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 year, the Group had recognised gain on disposal of investments of RMB26,896,200.

IV. SEGMENT INFORMATION

1. Basis for determination of reportable segments and accounting policies

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.

2. Financial information of reportable segments for the year

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

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	21,793,201,107.30	1,593,522,109.34	2,386,896,713.73	-2,424,015,032.68	23,349,604,897.69
Of which: Revenue from external transactions	21,596,324,724.94	1,159,439,265.32	593,840,907.43		23,349,604,897.69
Revenue from intra-segment transactions	196,876,382.36	434,082,844.02	1,793,055,806.30	-2,424,015,032.68	
Operating costs	20,419,637,421.42	1,467,197,221.61	2,264,571,683.39	-2,437,698,313.25	21,713,708,013.17
Period charge	1,340,088,340.74	35,423,474.52	124,858,326.33	-6,012,849.58	1,494,357,292.01
Segment total profit (total loss)	53,437,797.53	91,614,105.17	-12,607,520.37	-13,009,573.03	119,434,809.30
Total assets	45,828,557,484.36	980,018,264.36	3,236,475,522.29	-3,776,465,441.38	46,268,585,829.63

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
including: Significant impairment loss of individual asset					
Total liabilities	35,972,215,497.64	661,521,652.87	1,107,160,598.03	-1,883,111,363.60	35,857,786,384.94
Supplementary information					
Capital Expenditure	3,207,643,510.81	1,709,928.39	65,483,514.16	-167,124,121.54	3,107,712,831.82
Impairment loss recognised during current period	215,649,898.77	588,053.05	-7,408,610.14		208,829,341.68
Of which: Allocation for impairment of goodwill					
Depreciation and amortisation expense	615,918,256.36	5,830,437.61	118,118,067.23	-7,359,942.81	732,506,818.39
Non-cash expenses other than loss of impairment, depreciation and amortisation			379,465.07		379,465.07

Segment information for the previous year

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	29,198,547,596.05	1,471,408,385.51	2,747,816,147.12	-7,898,532,337.26	25,519,239,791.42
Of which: Revenue from external transactions	23,866,148,847.21	997,984,902.21	655,106,042.00		25,519,239,791.42
Revenue from intra-segment transactions	5,600,304,696.60	205,517,535.54	2,092,710,105.12	-7,898,532,337.26	
Operating costs	29,048,506,488.10	1,675,221,303.32	1,730,097,027.54	-7,632,666,447.12	24,821,158,371.84
Period charge	1,677,848,516.65	39,109,324.49	287,622,167.31	22,035,607.13	2,026,615,615.58
Segment total profit (total loss)	626,324,614.02	7,730,665.41	-95,802,091.59	-68,541,370.19	469,711,817.65
Total assets	65,369,643,829.79	1,127,844,082.85	2,220,333,084.18	-19,721,866,691.61	48,995,954,305.21
including: Significant impairment loss of individual asset					
Total liabilities	50,440,555,478.31	886,060,647.82	538,141,435.50	-13,237,460,369.91	38,627,297,191.72
Supplementary information					
Capital Expenditure	479,557,032.99	9,644,273.51	3,345,569.86		492,546,876.36
Impairment loss recognised during current period	559,699,118.54	24,799,101.43	838,436.96	-194,053,202.79	391,283,454.14
Of which: Allocation for impairment of goodwill					
Depreciation and amortisation expense	702,076,796.13	4,737,834.91	54,664,976.08	-37,727,102.94	723,752,504.18
Non-cash expenses other than loss of impairment, depreciation and					

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
amortisation					

(2) Revenue from external transactions by origin of revenue

Revenue from external transactions	Current period	Last year
Revenue from external transactions derived from China	22,854,313,824.52	24,805,259,700.17
Revenue from external transactions derived from other countries	495,291,073.17	713,980,091.25
Total	**23,349,604,897.69**	**25,519,239,791.42**

(3) Non-current assets by location of assets

Total non-current assets	Ending balance	Beginning balance
Non-current assets within China	13,605,531,080.32	13,351,125,602.41
Non-current assets within other countries	14,829,188.42	15,220,068.43
Total	**13,620,360,268.74**	**13,366,345,670.84**

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

ACKNOWLEDGEMENT

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

By order of the Board

CSSC Offshore & Marine Engineering (Group) Company Limited

Chairman

Han Guangde

Guangzhou, 31 March 2017

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.