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 2017

(Financial Highlights)

Turnover:	**RMB** 22,313,381,938.04
Profit attributable to equity holders of the Company:	**RMB**87,796,591.29
Earnings per share attributable to equity holders of the Company:	**RMB**0.0621

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 2017 (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 2016,as follows :

DIVIDENDS

Pursuant to a resolution passed at a Board meeting held on 29 March 2018, the profit distribution proposal for the Reporting Period is as follows: In accordance with the section 3（4）of article 215 of the Articles of Association of CSSC Offshore & Marine Engineering (Group) Company Limited relating to the profit distribution policy: Before distribution of cash dividends, the gearing ratio of the Company shall not exceed 70%. The Company's gearing ratio as at 31 December 2017 was 72.95%, remaining at a high level. In addition, given that the Company has experienced a rapid increase in the number of orders secured in 2018 and has strong demand for production and working capital, the

Company does not distribute dividends in 2017 and that the Company does not convert capital reserve into share capital. This profit distribution proposal is subject to the approval at the 2017 annual general meeting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(i) Development of the shipbuilding market in 2017

In 2017, the global shipbuilding market picked up. On the one hand, the number of shipbuilding orders increased. As a result of multiple positive factors including the recovery of the shipping market, low prices for new ships and favourable payment terms, ship owners' enthusiasm in investing in new ships is strengthened, and certain ship owners already had the intention of placing shipbuilding orders and started to place orders. According to China Shipbuilding Industry Economic Research Center, new shipbuilding volume in the global shipbuilding market experienced a significant growth from 2016, amounting to 1,024 ships for the period from January to December 2017 with 72,641,000 DWT, representing a year-on-year increase of 133%. On the other hand, the price of new ships reached the bottom and then started to stabilize. The volume of orders in hand in the global shipbuilding market sharply shrank in 2016. In order to alleviate the future pressure arising from idle capacity and seek survival, in 2017, the competition among global shipbuilders intensified, and a round of price war among the shipbuilding market was started. The ClarkSea Index once dropped to 121 points, a new low level in the history. In addition, the prices of shipbuilding steel plates surged, and shipbuilding cost continued to increase. Since mid-2017, the prices of new ships slightly recovered, and the ClarkSea Index increased to 125 points in December 2017. However, the shipbuilding industry was still at a historically low level, and there had been no substantial improvement in the industry conditions of excessive shipbuilding capacity and difficulties facing shipbuilding enterprises to make profit.

(ii) Performance of the Group

In 2017, as the global shipbuilding industry remained at the bottom level, competition among domestic and overseas shipbuilding enterprises intensified and the difficulties for shipbuilding enterprises to make profit remained, the Group actively made use of its own strengths and took the initiative to adopt corresponding measures. It adhered to the principle of "military products first", strengthened its operation and management, maintained its marketing efforts to secure orders for shipbuilding and non-ship business. It continued to improve productivity, lowered financial leverage on its own initiative, strictly controlled enterprise cost, focused on optimising industry structure, and united all employees to make concerted efforts, which has enabled the Company to make progress and record steady growth of operational performance while maintaining stability in the doldrums for the industry and ensured the normal and sustainable development of the Group.

1. In 2017, the operating income of the Group amounted to RMB22,313 million, representing a decrease of 4.44% compared with last year; total profit amounted to RMB168 million, representing an increase of 41.07% compared with last year; net profit attributable to the shareholders of the Company amounted to RMB87,796,600, representing an increase of 23.27% compared with last year.

2. Core shipbuilding business made steady progress, and civil product business strived to get out of difficulties. In 2017, the Group actively made use of its own brand and technology strengths, continued to strengthen production and operation management, fully improved quality and performance, and captured the opportunities. During the year, it secured orders for building 43 ships/1,958,600 DWT. For military products, the Company always adheres to the strategy of "military products first" and fully supported the building of products under construction. For civil products, the Company continued to promote the transformation and upgrading of product structure. The goal of securing civil product orders for the year was achieved.

3. Actively responded to the government supply side reform policies and organised and implemented market-oriented debt-to-equity conversion projects. In order to further lower its gearing ratio, optimise asset structure, mitigate financial risks and improve its core competitiveness and sustainable development ability, under the general arrangement of CSSC, the Group carried out asset reorganisation in respect of certain equity interest in GSI and Huangpu Wenchong and implemented market-oriented debt-to-equity conversion in the amount of RMB4.8 billion in accordance with the government's policies relating to the supply side structure reform of "cutting overcapacity, destocking, deleveraging, reducing corporate costs and shoring up weak spots". Under the audited financial information of the Company for 2017, upon completion of the material asset reorganisation, the Company's consolidated gearing ratio will be reduced from 72.95% to 62%.

4. Completion of the transfer of equity interest in GSI shipyard Co., Ltd,. ("GSI Yangzhou") and gradual facilitation of expansion into environment protection industry. In 2017, in view of the development situations of the shipbuilding industry and in order to comprehensively coordinate and

optimise resource allocation and improve the efficiency of comprehensive utilisation of resources, the Company completed the transfer of 51% equity interest in GSI yangzhou. In addition, the Company actively explored strategic planning for diversified development and expanded into the environment protection industry. It established Nanfang Environment Co., Ltd., and played the driving role of capital to build an environment protection industry chain from waste separation to backend resource optimisation and treatment.

In the process of implementing marine strategy, developing marine economy and building a strong marine power by China, the Group, as the No. 1 military industry concept A+H share, will further implement the spirit of the 19th National Congress of the Communist Party of China. In the face of continuous downturn of the shipbuilding industry, it will make use of its own strengths, tackle difficult problems, make determined advances, implement new development ideas, and stick to the main theme of supply side structure reform. With "innovations, talents, capital, reform and management" as the new driving forces, the Company will further implement the key work for "cut overcapacity and excess inventory, deleverage, reduce costs, and strengthen points of weakness", vigorously facilitate the adjustment to industry structure and product mix, make its core shipbuilding and maritime activities stronger and better, actively develop diversified industries, focus on developing new growth drivers, and strive to develop into an innovative maritime equipment group with leading position in the PRC and ranking among top class in the world and in turn to actively create values for its shareholders.

OPERATIONAL REVIEW

During the Reporting Period, the Group completed the building of 66 ships/3,539,600 DWT, realized operating income of RMB22,313 million, representing a year-on-year decrease of 4.44%; total profit of RMB168 million, representing a year-on-year increase of 41.07%; net profit attributable to shareholders of the Company of RMB87,796,600, representing a year-on-year increase of 23.27%. It secured shipbuilding orders in the amount of RMB12,725 million, representing a year-on-year decrease of 42.2%, mainly due to the decline in the amount of military product orders secured.

FINANCIAL REVIEW

For the year ended 31 December 2017, operating income of the Group prepared under the PRC Accounting Standards for Business Enterprises amounted to RMB22,313 million, representing a decrease of 4.44% compared with last year; audited net profit attributable to the shareholders of the Company for the year amounted to RMB87,796,600, representing an increase of 23.27% compared with last year; earnings per share amounted to RMB0.0621 and earnings per share after deduction of non-recurring gains and losses amounted to RMB-0.7331.

Key financial indicators	2017	2016	Change (%)	2015	2014	2013
Basic earnings per share (RMB/share)	0.0621	0.0504	23.21	0.0709	0.3253	0.0382
Diluted earnings per share (RMB/share)	0.0621	0.0504	23.21	0.0709	0.3253	0.0382
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.7331	-0.0679	Not applicable	-1.2291	-0.6487	-0.2553
Weighted average return on equity (%)	0.84	0.69	Increase of 0.15 percentage points	0.99	4.46	0.65
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-9.97	-0.93	Increase of 9 .04 percentag e points	-17.86	-11.3	-4.01

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

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change (%)
Operating income	22,313,381,938.04	23,349,604,897.69	-4.44
Operating cost	20,946,888,731.47	21,713,708,013.17	-3.53
Selling expense	195,604,950.61	116,743,820.71	67.55
Administrative expense	1,256,121,621.24	1,395,560,018.97	-9.99
Finance cost	528,776,547.46	-17,946,547.67	Not applicable
Net cash flows from operating activities	-847,216,894.16	-3,761,073,635.17	Not applicable
Net cash flows from investing activities	2,131,372,669.34	5,792,949,478.11	-63.21
Net cash flows from financing activities	489,195,493.02	-1,806,734,376.67	Not applicable
Research and development expense	636,897,127.00	656,726,952.16	-3.02

Changes of items in income statement and explanation

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change	Description
Selling expense	195,604,950.61	116,743,820.71	78,861,129.90	67.55%	The warranty period of a large number of ships expired last year, resulting in large amount of warranty balance;
Finance cost	528,776,547.46	-17,946,547.67	546,723,095.13	Not applicable	Increase in exchange loss as a result of the change in exchange rate, and decrease in interest income from existing funds;
Gain on change in fair value	3,235,961.60	168,178,506.59	-164,942,544.99	-98.08%	A large number of forward exchange contracts were settled last year;
Investment income	147,443,555.81	-48,371,480.29	195,815,036.10	Not applicable	Increase in the gain on settlement of forward exchange trading contracts closed during the year and the gain on disposal of equity interest in GSI Yangzhou;
Other income	38,794,966.24		38,794,966.24	Not applicable	Government grants relating to operation were presented in "other income" for 2017 in accordance with the "China Accounting Standards for Business Enterprises No. 16 – Government Grant", which is newly revised by the Ministry of Finance;
Non-operating income	864,049,578.41	216,170,412.85	647,879,165.56	299.71%	Compensation for the GSI land of RMB826 million was received;
Non-operating expenses	5,131,442.86	78,673,400.06	-73,541,957.20	-93.48%	Increase in estimated liabilities of RMB66 million last year;
Income tax expense	67,842,358.71	32,746,647.37	35,095,711.34	107.17%	Increase in deferred income tax expenses.

Changes of items in cash flow statement and explanation

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change	Description
Net cash flows from operating activities	-847,216,894.16	-3,761,073,635.17	2,913,856,741.01	Not applicable	Decrease in cash payment for goods and services as a result of the decrease in inventories during the Reporting Period.
Net cash flows from investing activities	2,131,372,669.34	5,792,949,478.11	-3,661,576,808.77	-63.21	Decrease in net pledged fixed deposits as a result of release of deposits during the Reporting Period.
Net cash flows from financing activities	489,195,493.02	-1,806,734,376.67	2,295,929,869.69	Not applicable	Increase in net borrowings during the Reporting Period.

ANALYTICAL STATEMENT OF ASSETS AND LIABILITIES

Unit: Yuan Currency: RMB

Item	Amount at the end of current year	Proportion among total assets at the end of current year (%)	Amount at the end of last year	Proportion among total assets at the end of last year (%)	Change of amount at the end of current period compared with that of the end of last year (%)	Description
Financial assets at fair value through profit or loss	6,602,255.91	0.01	-	-	-	Foreign exchange forward contracts/swap contracts were entered into during the year, and their fair values were determined based on agreed exchange rates/forward exchange rates
Interest receivable	46,434,534.12	0.11	138,243,843.26	0.30	-66.41	Decrease in interest from fixed deposits and recovery of interest through

						settlement of certain wealth management products
Other receivables	129,376,288.79	0.29	72,448,156.82	0.16	78.58	Increase in performance bonds receivable and export tax rebates
Long-term equity investments	738,018,660.57	1.67	68,961,676.66	0.15	970.19	Disposal of 51% equity interest in GSI Yangzhou during the year, and the remaining equity interest was subsequently accounted for using equity method
Disposal of fixed assets	31,132.31	0.00	2,572,359.05	0.01	-98.79	Reclassification of relocation expenses to be written off to “Other non-current assets”
Other non-current assets	199,020,072.23	0.45	1,001,361,563.30	2.16	-80.13	Reclassification of wealth management products due within one year to “Other non-current assets”
Short-term borrowings	2,675,414,975.00	6.06	445,636,500.54	0.96	500.36	Short-term borrowings newly made during the year
Financial liabilities at fair value through profit or loss	3,366,294.31	0.01	Not applicable	Not applicable	Not applicable	Foreign exchange forward contracts/swap contracts were entered into during the year, and their fair values were determined based on agreed exchange rates/forward exchange rates
Employee remuneration payable	32,198,622.63	0.07	59,354,143.31	0.13	-45.75	Decrease in outstanding balance of salaries as at the end of the year
Taxes payable	72,479,741.43	0.16	127,111,097.76	0.27	-42.98	Decrease in outstanding balance of enterprise income tax, value-added tax and individual income tax as at the end of the year
Dividends payable	383,540.92	0.00	3,806,004.54	0.01	-89.92	Dividend payable to minority interests as at the end of last year was paid during the

						year
Other payables	234,291,737.22	0.53	358,190,436.06	0.77	-34.59	Decrease in despots
Other current liabilities	5,544,483,602.13	12.56	8,814,232,495.28	19.05	-37.10	Decrease in project settlement payment under building contracts
Special payables	99,370,000.00	0.23	1,390,339,744.58	3.00	-92.85	The state grants for completed and accepted projects of Huangpu Wenchong and GSI, both subsidiaries of the Company, were transferred to capital reserve of CSSC, which were included in "minority interests" in these financial statements
Deferred income	31,895,704.27	0.07	67,514,328.51	0.15	-52.76	Transfer of government grants to current profit or loss based on project progress
Deferred tax liabilities	1,412,563.62	0.00	499,094.19	0.00	183.03	Increase in deferred income tax liabilities recognised arising from changes in fair values of financial assets at fair value through profit or loss
Special reserve	2,010,677.96	0.00	929,231.60	0.00	116.38	Increase in the balance of provision for production safety fee made during the year
Minority interests	1,531,599,209.58	3.47	62,996,345.75	0.14	2,331.25	Transfer from special payables

Information on principal businesses by product

Unit: Yuan Currency: RMB

Principal businesses by product						
By product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Shipbuilding business	18,019,685,451.60	16,778,382,132.50	6.89	-3.92	-6.00	Increase of 2.06 percentage points
Offshore engineering business	2,149,511,747.39	2,276,550,433.21	-5.91	-16.61	3.94	Decrease of 20.95 percentage points
Ship maintenance business	240,980,902.48	226,177,355.67	6.14	-37.29	-25.85	Decrease of 14.48 percentage points
Steel structure engineering	1,009,381,917.95	886,436,024.23	12.18	12.11	10.26	Increase of 1.47 percentage points
Electromechanical products and others	648,830,226.74	578,901,481.33	10.78	41.04	66.45	Decrease of 13.62 percentage points
Principal business by region						
By region	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
China (including Hong Kong, Macau and Taiwan)	15,076,725,666.01	13,937,282,583.06	7.56	-5.41	-5.25	Decrease of 0.15 percentage points -
Other regions in Asia	1,910,696,025.11	1,808,319,098.90	5.36	14.35	9.65	increase of 4.06 percentage points
Europe	3,704,884,516.76	3,661,276,288.67	1.18	-21.03	-16.54	Decrease

						of 5.32 percentage points
Oceania	367,697,785.00	395,581,284.12	-7.58	-37.95	-31.05	-Decrease of 10.77 percentage points
North America	785,053,651.23	787,374,155.93	-0.30	4,958.78	3,911.49	Increase of 26.18 percentage points
Africa	67,588,288.81	29,791,295.74	55.92	-59.76	-81.01	Increase of 49.36 percentage points
South America	155,744,313.24	126,822,720.52	18.57	-	-	-
Total	22,068,390,246.16	20,746,447,426.94	5.99	-4.37	-3.49	Decrease of 0.86 percentage points

During the Reporting Period, the Group's income from principal business amounted to RMB22,068 million, representing a year-on-year decrease of 4.37%. Income from offshore engineering business and ship maintenance business recorded significant year-on-year decreases of 16.61% and 37.29%, respectively. Income from steel structure engineering and electromechanical products and other business recorded year-on-year increases of 12.11% and 41.04%, respectively. Gross profit from principal business amounted to RMB1,322 million, and gross profit margin amounted to 5.99%, representing a year-on-year decrease of 0.86 percentage points, mainly due to the year-on-year decrease in gross profit of offshore engineering business, ship maintenance business and electromechanical products and other business, as well as the year-on-year increase in gross profit from shipbuilding business and steel structure engineering business.

As for product mix, the percentage of income from marine business remained stable at 91% to 93% of total income in both years. Shipbuilding business contributed 81.65% of income, representing an increase of 0.38 percentage points compared with last year; offshore engineering business contributed 9.74% of income, representing a decrease of 1.43 percentage points compared with last year; the percentage of income from ship maintenance, steel structure steel structure engineering and electromechanical products remained substantially flat with last year.

(1) Shipbuilding business

During the period, income from shipbuilding business amounted to RMB18,020 million, representing a year-on-year decrease of 3.92%. During the Reporting Period, the overall production and operation capacity of shipbuilding business remained stable. The number of completed ships picked up. Due to the appreciation in the exchange rate of Renminbi against US dollars, operating income from shipbuilding business, which is denominated in US dollars, recorded a year-on-year decrease.

(2) Offshore engineering business

During the period, income from offshore engineering business amounted to RMB2,150 million, representing a year-on-year decrease of 16.61%, which was mainly due to the fact that the global marine engineering equipment market entered a period of downturn; during the Reporting Period, GSI, a subsidiary of the Group, had no offshore engineering products in 2017; and the output value of Huangpu Wenchong, a subsidiary of the Company, slightly increased.

(3) Ship maintenance business

During the Reporting Period, income from ship maintenance business amounted to RMB241 million, representing a year-on-year decrease of 37.29%, mainly due to the ship renovation project in large amount undertaken in 2016 which was mostly completed in 2016. Excluding such factor, the Group carried out market development and achieved substantial results in repair of military ships and repair and maintenance of military ships during the Reporting Period.

(4) Steel structure engineering business

During the Reporting Period, income from steel structure engineering business amounted to RMB1,009 million, representing a year-on-year increase of 12.11%, mainly due to the sufficient amount of orders on hand for steel structure engineering business and the expansion into bridge market, resulting in the year-on-year increase in output, during the Reporting Period.

(5) Electromechanical products and other business

Income from electromechanical products and other business amounted to RMB649 million, representing a year-on-year increase of 41.04%, mainly because the Group vigorously undertook outfitting projects and consolidated its strength in the area of crane building during the Reporting Period. As a result, its output significantly increased. Due to the preparations for plant relocation, the output of shearing press and elevators decreased.

By geographic region, operating income from China (including Hong Kong, Macau and Taiwan) decreased by 5.41% and operating income from overseas markets decreased by 2.05% compared with last year. The Group will actively respond to the adverse effects arising from the fact that the global shipbuilding industry remained at a low level and competition among domestic and foreign shipbuilders intensified, make use of its own strengths, take active initiatives, adhere to the principle of "military products first", strengthen its operation and management, and vigorously develop domestic and overseas markets.

COST ANALYSIS BY PRODUCT

Unit: RMB in ten thousand

By product							
By product	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount for the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description Explanation
1. Shipbuilding business	Direct materials	1,083,904.47	52.25	1,180,314.18	54.91	-8.17	/
	Processing costs	605,731.12	29.20	658,681.56	30.64	-8.04	/
	Impairment loss	-11,797.38	-0.57	-54,067.43	-2.52	-78.18	Note 1
2. Offshore engineering business	Direct materials	161,494.74	7.78	134,580.14	6.26	20.00	/
	Processing costs	66,160.31	3.19	85,164.77	3.96	-22.31	/
	Impairment loss	-	-	-727.73	-0.03	-100.00	Note 1
3. Ship maintenanc	Direct materials	11,190.58	0.54	11,095.24	0.52	0.86	/

e business	Processing costs	11,427.16	0.55	19,407.98	0.90	-41.12	/
	Impairment loss	-	-	-	-	-	/
4. Steel structure engineering	Direct materials	49,343.26	2.38	39,738.00	1.85	24.17	/
	Processing costs	39,300.34	1.89	40,655.07	1.89	-3.33	/
	Impairment loss	-	-	-	-	-	/
5. Electromechanical products and others	Direct materials	19,190.29	0.92	10,214.67	0.48	87.87	Note 3
	Processing costs	38,699.86	1.87	24,565.13	1.14	57.54	Note 3
	Impairment loss	-	-	-	-	-	/

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

Note 1: "Impairment loss" was negative as the provision for impairment of inventories previously made was reversed to offset the cost of principal business upon recognition of gross profit when the progress of shipbuilding under long-term shipbuilding contracts reaches 30% (for non-first-made shipbuilding contracts) or 50% (for first-made shipbuilding contracts) during the Reporting Period. The reversal of provision for impairment of construction-in-progress was RMB117,973,800 during the Reporting Period, representing a year-on-year decrease of 78.47%, mainly due to the year-on-year decrease in the provision made for loss-making shipbuilding contracts under construction for which the condition to revenue recognition has been met.

Note 2: During the Reporting Period, the processing cost incurred for the ship maintenance business was RMB114,271,600, representing a year-on-year decrease of 41.12%, mainly due to the decrease in ship maintenance volume during the period. Income from such business recorded a year-on-year decrease of 37.29%, and processing cost declined accordingly.

Note 3: During the Reporting Period, direct material cost of electromechanical products and other business incurred was RMB191,902,900, representing a year-on-year increase of 87.87%; processing cost incurred was RMB386,998,600, representing a year-on-year increase of 57.54%. On the one hand, as a result of the increase in the number of products under this segment, income increased by 41.04% year on year, and cost of materials consumed and processing cost increased accordingly. On the other hand, cost of materials accounted for a large portion of cost during the Reporting Period as a result of the difference in product structure during the Reporting Period.

INFORMATION OF RAISED CAPITAL INVESTMENT PROJECTS

As approved in the Reply for Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing issued by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2015] No. 330), the Company issued 42,559,089 A Shares through private placement to 7 specific investors at an issue price of RMB37.78 each, raising total proceeds of RMB1,607,882,382.42 and net proceeds of RMB1,541,373,292.57, net of issue expenses of RMB66,509,089.85. Of the raised proceeds, RMB104,959,959.97 was utilised for replenishment of the working capital of COMEC, and the special account established for such part of proceeds was closed in May 2015; RMB680,408,300.00 was utilised for payment to 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. ("Yangzhou Kejin"), 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; RMB373,959,229.48 was utilised for supplementing and improvement of maritime engineering equipment production facilities in Longxue Factory of Huangpu Wenchong; and the remaining proceeds of RMB6,040,770.52 are not utilised yet and deposited in a special account established under the name of Huangpu Wenchong. 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 April and 11 April 2016, Huangpu Wenchong purchased CITIC Xinying Series Bu Bu Gao Sheng No. 4 Renminbi Wealth Management Products (for Institutions Only), a floating income product with guaranteed principal repayment issued by China CITIC Bank Corporation Limited, with RMB50 million and RMB55 million, respectively, out of its temporarily unutilised proceeds raised; on 11 August 2016, Huangpu Wenchong purchased CITIC Gongying Principal-protected Wealth Management Products issued by China CITIC Bank Corporation Limited with RMB80 million out of its temporarily unutilised proceeds raised.

To date, the Zhiying Series Renminbi Structured Wealth Management Products purchased by Huangpu Wenchong on 27 November 2015 expired on 30 December 2015, 1 March 2016, 25 March 2016 and 25 May 2016, respectively, and the income from and interest 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 income from 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 expired on 14 September 2016 and 11 November 2016, respectively, and the income from 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). During the Reporting Period, the Company had not applied any temporarily unutilised proceeds towards purchase of wealth management products.

RESEARCH AND DEVELOPMENT EXPENSES

Unit: RMB

Research and development expense recorded in expenses during the period	636,897,127.00
Total research and development expenses	636,897,127.00
Percentage of total research and development expenses over operating income (%)	2.85
Number of research and development staff	2,186
Number of research and development staff over total number of staff (%)	12.19

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 223 technological research and development projects, including 116 key technological research and development projects for the year. In respect of external projects, the cooperation with scientific research institutes was strengthened. In addition, in light of the requirements for the strategic transformation of the Company, it continued to facilitate the research and development of new products, process improvement and digital and smart manufacturing technologies; and the efforts 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 2017, the balance of the Company's long-term equity investments amounted to RMB738,018,700, representing an increase of RMB669,057,000 from last year, mainly due to the transfer by the Company of its 51% equity interest in GSI Yangzhou, a then wholly-owned subsidiary of the Company, to CSSC, the controlling shareholder of the Company, in accordance with an agreement during the Reporting Period, which was accounted for using the equity method, resulting in the increase in long-term equity investments of RMB641,499,600.

On 24 May 2017, the Group established Nanfang Environment Co., Ltd., with a registered capital of RMB500 million and registered office located at Yuexiu District, Guangzhou, Guangdong Province. Its scope of business mainly covers cleaning, collection and transport services for municipal solid waste; recycling and wholesale of regenerated materials; air pollution treatment, sewage treatment and related regeneration and utilisation. The Group contributed RMB300 million and held its 60% equity interest.

On 10 July 2017, Guangzhou Wenchuan Heavy Industrial Co., Ltd., a subsidiary of Huangpu Wenchong, established CSSC (Guangzhou) New Energy Co., Ltd. with a registered capital of RMB18 million and registered office located at Nansha District, Guangzhou, Guangdong Province. Its scope of business mainly covers gas operation (excluding storage and transportation and not serving end users), sale of fuel oil (excluding refined oil). Guangzhou Wenchuan Heavy Industrial Co., Ltd. contributed capital of RMB7.2 million and held its 40% equity interest.

August 2017, Huangpu Wenchong made additional contribution of HK$990,000 into Wah Loong International Marine Limited. Following the capital contribution, Wah Loong International Marine Limited had a registered capital of HK$1 million, of which HK$990,000 was made by Huangpu Wenchong, representing 99% equity interest and HK$10,000 was made by Wah-Chang International Marine Industry Company Limited, representing 1% equity interest. Wah Loong International Marine Limited is principally engaged in ship sales and leasing.

August 2017, Huangpu Wenchong made additional contribution of HK$990,000 into Wah Shun International Marine Limited. Following the capital contribution, Wah Shun International Marine Limited had a registered capital of HK$1 million, of which HK$990,000 was made by Huangpu Wenchong, representing 99% equity interest and HK$10,000 was made by Wah-Chang International Marine Industry Company Limited, representing 1% equity interest. Wah Shun International Marine Limited is principally engaged in ship sales and leasing.

SIGNIFICANT ISSUES

1. Leasing

Unit: RMB in ten thousand currency: RMB

Lessor Name	Lessee Name	Leased assets	Date of commencement of lease	Date of expiry of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not	Relationship
Guangzhou Company	Huangpu Wenchong	Land, buildings and structures	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, buildings and structures	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, buildings and structures	2014.10.1	2017.12.31	-	-	-	Yes	Other
Guangzhou	GSI	Land, buildings and	2015.12.1	2017.12.31	-	-	-	Yes	Other

Shipyard Shipping		structures							
GSI	Wenchong Dockyard	Land, buildings and structures	2015.9.30	Formal property lease contract to be re-entered into upon project acceptance and settlement	1,433.17	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 center 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 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 2017 was approximately RMB14,331,700 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	351,505,750.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	1,351,505,750.00
Total amount of guarantees	1,351,505,750.00
Total amount of guarantees as a percentage of the Company's net assets (%)	11.31
Note on guarantees	During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB1,352 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 RMB352 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 2017 and their amounts has not been exceeded.

CAPITAL LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group had long-term borrowings of RMB8,142 million, and cash and cash equivalents prepared under the PRC Accounting Standards for Business Enterprises amounted to RMB11,431 million.

CHARGES ON GROUP ASSETS

As at 31 December 2017, the Group had no fixed assets pledged for bank financing.

Contingent Liabilities

As at 31 December 2017, the Group had no significant contingent liabilities.

GEARING RATIO

As at 31 December 2017, the Company's gearing ratio was 72.95%.

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

EMPLOYEES, REMUNERATION AND TRAINING

The remuneration of the employees of the Company and its subsidiaries includes salary, 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	Conversion from reserve	Others	Sub-total	Number	Percentage (%)
I. Listed tradable shares	1,413,506,378	100	0				0	1,413,506,378	100
1. Ordinary shares denominated in Renminbi	821,435,181	58.12	0				0	821,435,181	58.12
2. Domestic listed foreign shares									
3. Overseas listed	592,071,197	41.88						592,071,197	41.88

foreign shares									
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 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 (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 2017 annual report.

Audit Committee

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

OUTLOOK

Looking forward into 2018, the global economic development tends to stabilize, and the shipping market may remain stable and improve. The demand in the international shipping market is expected to slightly increase. With continuous elimination of old and outdated ships, excessive capacity may be further absorbed, which will support the recovery of the shipbuilding market to a certain degree. As a result of "production capacity reduction" efforts and the increase in raw material cost, the price of new ships may slightly increase. From product structure, the transaction volume of large ships will decrease, and the transaction volume of certain middle- and small-sized ships will remain active. The market of ships with high added values, such as luxury liners, vehicle transportation ships, Ro-ro passenger ships and LNG ships. For offshore engineering products, with slow recovery of global oil and gas development, new orders will be concentrated in the areas such as floating production platform and offshore wind farm construction and maintenance equipment, and affordable and efficient equipment will be the key to obtain competitive strengths. Despite the improvement in the new ship market in the short term, the initial results of the "production capacity reduction" measures and the less excessive capacity, the issue of structural overcapacity has not been substantially resolved, and the demand for new ships still cannot meet the growing unutilised capacity. With the increase in comprehensive shipbuilding cost, shipbuilding enterprises still face severe challenges to survival and development. Under the guidance of a series of policies including the Action Plan for the Acceleration of Structural Adjustment, Transformation and Upgrading of the Ship Industry (2016-2020) and the Action Plan for the Sustainable Healthy Development of the Marine Engineering Equipment Manufacturing Industry (2017-2020), the consolidation in the ship industry will be further accelerated. Social resources will be guided to high-quality shipbuilding enterprises, forcing them to accelerate innovation, strengthen the guiding role of innovations, transform and upgrade to high-end, energy-saving and environmentally-friendly enterprises and grow from bigger to stronger. A new round of technology and industry revolution with the in-depth integration of information technology and advanced manufacturing as an important feature is also breeding, which will bring new opportunities for the information and smart development of the ship industry.

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

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

BUSINESS PLAN FOR 2017

In 2017, the Group recorded operating income of RMB22,313 million, representing 99.47% of annual target; and secured orders with contract value of RMB13,554 million, representing 58.68% of annual target, mainly due to the decrease in the amount of military product orders secured.

In 2018, the Group plans to realize operating income of RMB21,531 million and secure orders with contract value of RMB23,322 million. In the meantime, it will continue to deepen reform, strengthen innovations, and actively cope with challenges to ensure steady growth of production and operation. It will continue to advance diversified development, accelerate expansion into emerging industries, and strive to improve quality and performance through cost control, optimised management and resource consolidation and other means in order to realize the business plan for 2018.

The business objectives above do not represent the profit forecast of the Company for 2018, 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 2017 containing all the information required by the Listing Rules will be dispatched to the shareholders and will be published on the websites above in due course.

PUBLICATION OF SOCIAL RESPONSIBILITY REPORT

The Social Responsibility Report of the Company for the year 2017 (including the environmental, social and governance report prepared in accordance with the Environmental, Social and Governance Guide set out in the Hong Kong Listing Rules) has been published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (comec.cssc.net.cn) on 29 March 2018.

FINANCIAL STATEMENTS PREPARED UNDER THE ACCOUNTING STANDARDS OF THE PRC

(Amounts denominated in Renminbi unless otherwise specified)

Consolidated Balance Sheet

31 December 2017

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

Item	Ending balance	Beginning balance
Current assets:		
Cash at bank and on hand	12,005,275,747.16	12,347,969,978.26
Settlement reserve		
Placements with banks and non-bank financial institutions		
Financial assets at fair value through profit or loss	6,602,255.91	
Derivative financial assets		
Notes receivable	157,166,528.30	122,945,274.57
Accounts receivable	1,541,228,808.18	1,280,968,787.17
Prepayments	2,475,182,224.91	2,372,345,688.47
Insurance premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Interest receivable	46,434,534.12	138,243,843.26
Dividends receivable		
Other receivables	129,376,288.79	72,448,156.82
Financial assets purchased under agreements to resell		
Inventories	10,339,936,296.32	12,349,605,017.16
Assets classified as held for sale		
Non-current assets due within one year	1,033,143,116.08	
Other current assets	1,841,255,454.38	1,892,964,428.05
Total current assets	**29,575,601,254.15**	**30,577,491,173.76**
Non-current assets:		
Loans and advances granted		
Available-for-sale financial assets	21,029,995.04	18,902,353.05
Held-to-maturity investments		
Long-term receivables	460,059,537.09	478,791,643.97
Long-term equity investments	738,018,660.57	68,961,676.66
Investment properties	22,251,363.68	22,880,075.84
Fixed assets	10,146,480,696.50	10,906,714,094.44
Construction in progress	635,119,267.47	670,750,840.41
Construction materials		
Disposal of fixed assets	31,132.31	2,572,359.05
Productive biological assets		
Oil and gas assets		
Intangible assets	1,884,667,938.27	2,000,393,192.52
Development expenses		
Goodwill		
Long-term prepaid expenses	14,954,894.47	17,049,706.48
Deferred tax assets	460,427,215.85	502,717,150.15
Other non-current assets	199,020,072.23	1,001,361,563.30
Total non-current assets	**14,582,060,773.48**	**15,691,094,655.87**
Total assets	**44,157,662,027.63**	**46,268,585,829.63**

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

Consolidated Balance Sheet (Continued)

31 December 2017

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

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term borrowings	2,675,414,975.00	445,636,500.54
Loans 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	3,366,294.31	
Derivative financial liabilities		
Notes payable	1,772,284,568.59	1,916,069,525.06
Accounts payable	7,656,237,265.69	7,263,636,176.96
Advances from customers	650,869,010.03	596,195,202.34
Securities sold under agreements to repurchase		
Fee and commission payable		
Employee benefits payable	32,198,622.63	59,354,143.31
Taxes payable	72,479,741.43	127,111,097.76
Interest payable	13,010,817.17	11,109,426.83
Dividends payable	383,540.92	3,806,004.54
Other payables	234,291,737.22	358,190,436.06
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	4,482,400,000.00	5,675,200,000.00
Other current liabilities	5,544,483,602.13	8,814,232,495.28
Total current liabilities	**23,137,420,175.12**	**25,270,541,008.68**
Non-current liabilities:		
Long-term borrowings	8,142,857,000.00	8,338,557,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term employee benefits payable	263,749,760.23	279,398,049.27
Special payables	99,370,000.00	1,390,339,744.58
Estimated liabilities	534,814,956.27	510,937,159.71
Deferred income	31,895,704.27	67,514,328.51
Deferred tax liabilities	1,412,563.62	499,094.19
Other non-current liabilities		
Total non-current liabilities	**9,074,099,984.39**	**10,587,245,376.26**
Total liabilities	**32,211,520,159.51**	**35,857,786,384.94**
Owners' equity:		
Share capital	1,413,506,378.00	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	6,868,230,515.41	6,867,866,279.63

Less: Treasury shares		
Other comprehensive income	-60,327,829.23	-60,441,217.45
Special reserve	2,010,677.96	929,231.60
Surplus reserve	962,441,825.31	952,284,741.72
Provision for general risks		
Undistributed profit	1,228,681,091.09	1,173,657,685.44
Total equity attributable to shareholders of the Company	**10,414,542,658.54**	**10,347,803,098.94**
Minority interests	1,531,599,209.58	62,996,345.75
Total equity	**11,946,141,868.12**	**10,410,799,444.69**
Total liabilities and equity	**44,157,662,027.63**	**46,268,585,829.63**

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

Balance Sheet of the Company

31 December 2017

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

Item	Ending balance	Beginning balance
Current assets:		
Cash at bank and on hand	513,258,307.19	118,028,234.52
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	100,000.00	1,949,644.23
Accounts receivable	34,815,043.87	40,039,348.35
Prepayments	1,861,905.00	15,853,238.36
Interest receivable	403,909.69	270,183.33
Dividends receivable		
Other receivables	9,128,338.88	1,857,655.78
Inventories	131,196,488.58	145,497,894.81
Assets classified as held for sale		
Non-current assets due within one year	650,000,000.00	
Other current assets	282,058,591.92	22,772,600.20
Total current assets	**1,622,822,585.13**	**346,268,799.58**
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		600,000,000.00
Long-term equity investments	7,902,205,154.63	8,535,717,482.56
Investment properties		
Fixed assets	76,749,497.88	79,621,477.01
Construction in progress		
Construction materials		
Disposal of fixed assets	31,132.31	2,467,859.05
Productive biological assets		
Oil and gas assets		
Intangible assets	10,792,029.90	11,115,333.18
Development expenses		
Goodwill		
Long-term prepaid expenses	2,344.24	343,667.20
Deferred tax assets	20,000,000.00	20,000,000.00

Other non-current assets	2,776,042.97	
Total non-current assets	**8,012,556,201.93**	**9,249,265,819.00**
Total assets	**9,635,378,787.06**	**9,595,534,618.58**

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

Balance Sheet of the Company (Continued)

31 December 2017

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

Item	Ending balance	Beginning balance
Current liabilities:		
Short-term borrowings	100,000,000.00	17,500,000.00
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	65,977,190.78	88,485,154.94
Advances from customers	55,310,128.61	77,013,708.94
Employee benefits payable	1,611,226.23	1,323,940.47
Taxes payable	4,115,201.43	3,497,568.96
Interest payable	339,166.67	339,166.66
Dividends payable	383,540.92	498,004.54
Other payables	29,876,357.49	22,045,279.71
Liabilities classified as held for sale		
Non-current liabilities due within one year	500,000,000.00	482,500,000.00
Other current liabilities		
Total current liabilities	**757,612,812.13**	**693,202,824.22**
Non-current liabilities:		
Long-term borrowings		100,000,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term employee benefits payable		
Special payables	99,370,000.00	99,370,000.00
Estimated liabilities		4,543,266.47
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**99,370,000.00**	**203,913,266.47**
Total liabilities	**856,982,812.13**	**897,116,090.69**
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	472,670,941.45	462,411,586.54
Undistributed profit	744,290,926.38	674,572,834.25
Total equity	**8,778,395,974.93**	**8,698,418,527.89**
Total liabilities and equity	**9,635,378,787.06**	**9,595,534,618.58**

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

Consolidated Income Statement

2017

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

Item	Current year	Last year
I. Total operating income	22,313,381,938.04	23,349,604,897.69
including: **Operating income**	22,313,381,938.04	23,349,604,897.69
Interest income		
Premium earned		
Fee and commission income		
II. Total operating costs	23,193,293,047.25	23,487,474,127.48
Including: Operating costs	20,946,888,731.47	21,713,708,013.17
Interest expense		
Fee and commission expenses		
Taxes and surcharges	72,661,835.98	70,579,480.62
Selling expense	195,604,950.61	116,743,820.71
Administrative expense	1,256,121,621.24	1,395,560,018.97
Finance cost	528,776,547.46	-17,946,547.67
Loss on impairment of assets	193,239,360.49	208,829,341.68
Add: Gain on change in fair value (loss expressed with "-")	3,235,961.60	168,178,506.59
Investment income (loss expressed with "-")	147,443,555.81	-48,371,480.29
Including: Income from investments in associates and joint ventures	-1,600,524.97	1,779,996.01
Exchange gain (loss expressed with "-")		
Gain on disposal of assets (loss expressed with "-")		
Other income	38,794,966.24	
III. Operating profit (loss expressed with "–")	-690,436,625.56	-18,062,203.49
Add: Non-operating income	864,049,578.41	216,170,412.85
Less: Non-operating expenses	5,131,442.86	78,673,400.06
IV. Total profit (loss expressed with "-")	168,481,509.99	119,434,809.30
Less: Income tax expense	67,842,358.71	32,746,647.37
V. Net profit (net loss expressed with "-")	100,639,151.28	86,688,161.93
Net profit attributable to shareholders of the Company	87,796,591.29	71,224,250.43
Minority interests	12,842,559.99	15,463,911.50
VI. Net other comprehensive income after tax	112,712.71	-274,491.63
Net other comprehensive income after tax attributable to owners of the Company	113,388.22	-274,491.63
(1) Other comprehensive income that cannot be reclassified to profit and 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 may not be subsequently reclassified to profit and loss under equity method		
(ii) Other comprehensive income that may be subsequently reclassified to profit or loss	113,388.22	-274,491.63
1. Share of other comprehensive income of investees that may 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	180,263.16	-274,491.63
3. Gain or loss on re-classification of held-to-maturity investment 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	-66,874.94	
6. Others		
Net other comprehensive income after tax attributable to minority interests	-675.51	
VII. Total comprehensive income	100,751,863.99	86,413,670.30
Total comprehensive income attributable to owners of the Company	87,909,979.51	70,949,758.80
Total comprehensive income attributable to minority interests	12,841,884.48	15,463,911.50
VIII. Earnings per share:	—	—
(i) Basic earnings per share	0.0621	0.0504
(ii) Diluted earnings per share	0.0621	0.0504

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

Income Statement of the Company

2017

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

Item	Current year	Last year
I. Operating income	160,111,825.52	350,658,685.74
Less: Operating costs	167,104,576.80	334,955,811.42
Taxes and surcharges	2,689,987.40	2,547,690.28
Selling expense	3,756,904.29	15,316,862.10
Administrative expense	20,998,331.71	18,753,411.65
Finance cost	-4,117,668.03	-5,189,775.62
Loss on impairment of assets	-5,510,754.29	-7,015,656.92
Add: Gain on change in fair value (loss expressed with “-”)		
Investment income (loss expressed with “-”)	105,903,507.33	93,600,910.09
Including: Income from investments in associates and joint ventures	825,284.83	
Gain on disposal of assets (loss expressed with “-”)		
Other income	19,247,400.00	
II. Operating profit (Loss expressed with “-”)	100,341,354.97	84,891,252.92

Add: Non-operating income	1,411,197.30	585,833.76
Less: Non-operating expenses	181,716.34	167,273.48
III. Total profit (loss expressed with "-")	101,570,835.93	85,309,813.20
Less: Income tax expense		136,610.76
IV. Net profit (Net loss expressed with "-")	101,570,835.93	85,173,202.44
V. Net other comprehensive income after tax		
(1) Other comprehensive income that cannot be reclassified to profit and 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 may not be subsequently reclassified to profit and loss under equity method		
(ii) Other comprehensive income that may be subsequently reclassified to profit or loss		
1. Share of other comprehensive income of investees that may 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 re-classification of held-to-maturity investment 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	101,570,835.93	85,173,202.44
VII. Earnings per share		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

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

Consolidated Cash Flow Statement

2017

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

Item	Current year	Last year
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	20,083,575,295.10	21,354,323,773.86
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, fees and commissions		
Net increase in placements from other financial institutions		
Net increase in sales and repurchase operations		
Cash received from tax refund	800,174,323.59	1,116,311,913.86
Other cash receipts relating to operating activities	1,319,614,878.76	969,679,043.91
Sub-total of cash inflows from operating activities	22,203,364,497.45	23,440,314,731.63
Cash paid for goods and services	20,010,384,120.69	24,139,621,338.89
Net increase in loans and advances to customers		
Net increase in central bank and interbank deposits		
Cash paid for claims of direct insurance contracts		
Cash paid for interest, fees and commissions		
Cash paid for dividends of insurance policies		
Cash paid to and on behalf of employees	2,095,207,316.46	2,277,206,344.37
Payments of taxes	251,588,944.34	304,265,173.79
Other cash payments relating to operating activities	693,401,010.12	480,295,509.75
Sub-total of cash outflows from operating activities	23,050,581,391.61	27,201,388,366.80
Net cash flow from operating activities	-847,216,894.16	-3,761,073,635.17
II. Cash flows from investing activities:		
Cash receipts from disposal of investments	501,875,000.00	2,060,000,000.00
Cash receipts from investment income	60,897,959.25	108,028,335.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,893,659.65	3,041,211.69
Net cash received from disposal of subsidiaries and other business units	469,927,404.87	593,689,815.00
Other cash receipts relating to investing activities	2,912,865,141.44	13,303,365,260.32
Sub-total of cash inflows from investing activities	3,948,459,165.21	16,068,124,622.07
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	630,294,242.24	802,992,946.89
Cash paid for investments	229,983,128.40	2,367,376,657.44
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	956,809,125.23	7,104,805,539.63
Sub-total of cash outflows from investing activities	1,817,086,495.87	10,275,175,143.96
Net cash flow from investing activities	2,131,372,669.34	5,792,949,478.11
III. Cash flows from financing activities:		
Cash receipts from receiving investments		
Including: Cash received by subsidiaries from receiving investments made by minority interest		
Cash receipts from borrowings obtained	9,775,420,395.40	12,958,871,619.31
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities	168,640,000.00	205,503,813.33
Sub-total of cash inflows from financing activities	9,944,060,395.40	13,164,375,432.64
Cash paid for repayment of debts	9,023,654,887.80	14,217,245,809.10
Cash paid for dividends, profit distribution or interest expenses	431,210,014.58	753,864,000.21
Including: Dividends and profits paid by subsidiaries to minority interests	6,876,000.00	395,200.00
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	9,454,864,902.38	14,971,109,809.31
Net cash flow from financing activities	489,195,493.02	-1,806,734,376.67

IV. Effect of change in foreign exchange rate on cash and cash equivalents	-228,239,916.27	427,648,306.03
V. Net increase in cash and cash equivalents	1,545,111,351.93	652,789,772.30
Add: Beginning balance of cash and cash equivalents	9,885,435,368.48	9,232,645,596.18
VI. Ending balance of cash and cash equivalents	11,430,546,720.41	9,885,435,368.48

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

Cash Flow Statement of the Company

2017

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

Item	Current year	Last year
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	177,319,751.75	774,197,975.52
Cash received from tax refund	13,883,686.22	74,859,331.27
Other cash receipts relating to operating activities	84,961,536.15	26,469,710.30
Sub-total of cash inflows from operating activities	276,164,974.12	875,527,017.09
Cash paid for goods and services	153,777,564.74	1,077,727,492.21
Cash paid to and on behalf of employees	39,097,799.92	50,902,095.52
Payments of taxes	9,007,025.04	15,190,485.79
Other cash payments relating to operating activities	77,569,461.44	42,187,066.82
Sub-total of cash outflows from operating activities	279,451,851.14	1,186,007,140.34
Net cash flow from operating activities	-3,286,877.02	-310,480,123.25
II. Cash flows from investing activities:		
Cash receipts from disposal of investments	741,158,500.00	
Cash receipts from investment income	29,280,048.42	93,600,910.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	288,200.00	
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities	544,064,076.41	1,188,488,969.20
Sub-total of cash inflows from investing activities	1,314,790,824.83	1,282,089,879.29
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	236,787.22	1,316,317.73
Cash paid for investments	30,000,000.00	3,367,252,991.39
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	820,000,000.00	117,500,000.00
Sub-total of cash outflows from investing activities	850,236,787.22	3,486,069,309.12
Net cash flow from investing activities	464,554,037.61	-2,203,979,429.83
III. Cash flows from financing activities:		
Cash receipts from receiving investments		
Cash receipts from borrowings obtained	500,000,000.00	87,500,000.00
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities		
Sub-total of cash inflows from financing activities	500,000,000.00	87,500,000.00
Cash paid for repayment of debts	500,000,000.00	155,000,000.00
Cash paid for dividends, profit distribution or interest expenses	34,619,605.32	54,856,938.99

Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	534,619,605.32	209,856,938.99
Net cash flow from financing activities	-34,619,605.32	-122,356,938.99
IV. Effect of change in foreign exchange rate on cash and cash equivalents	-1,417,482.60	657,700.60
V. Net increase in cash and cash equivalents	425,230,072.67	-2,636,158,791.47
Add: Beginning balance of cash and cash equivalents	88,028,234.52	2,724,187,025.99
VI. Ending balance of cash and cash equivalents	513,258,307.19	88,028,234.52

Legal representative: Han Guangde Person in charge of accounting: Hou Zengquan 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 the "Accounting Standards for Business Enterprises"), and No. 15 of regulations on information disclosures of companies that issue public offering shares – General Rules of preparing financial reports (revised in 2014) issued by China Securities Regulatory Commission (the "CSRC"), the applicable disclosures required by Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the accounting policies and estimation as described in "IV. Significant Accounting Policies and Estimates" to this note.

II. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and give a true and fair view of information of the Company and the Group such as financial position and the results of operation and cash flows. Changes in significant accounting policies for the year are as follows:

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 – Held-for-trading Non-current Assets, Disposal Groups and Discontinued Operation on 28 April 2017 and the Accounting Standards for Business Enterprises No. 16 – Government Grant on 10 May 2017.

The Group has adopted the Accounting Standards for Business Enterprises No. 42 – Held-for-trading Non-current Assets, Disposal Groups and Discontinued Operation since 28 May 2017, and the existing held-for-trading non-current assets, disposal groups and discontinued operation as at its effective date were accounted for on a prospective basis. The Group has adopted the Accounting Standards for Business Enterprises No. 16 – Government Grant since 12 June 2017, and the existing government grants as at 1 January 2017 were accounted for on a prospective basis. New government grants received during the period from 1 January 12017 to its effective date were adjusted in accordance with the standard.

The total effects of the changes in accounting policies on the financial statements of the Group for the year 2017 were an increase in the "Other income" item of RMB38,794,966.24, a decrease in the "Administrative expenses" item of RMB95,072,303.40, a decrease in the "Selling expenses" item of RMB87,470,000.00, a decrease in the "Finance costs" item of RMB45,070,000.00, and a decrease in the "Non-operating income" item of RMB266,407,269.64.

III. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

For the following disclosed financial statement data, unless specifically noted, "Beginning Balance" refers to 1 January 2017; and "Ending Balance" refers to 31 December 2017. "Current Year" refers to the period from 1 January 2017 to 31 December 2017; "Last Year" refers to the period from 1 January 2016 to 31 December 2016. The currency is in RMB.

1. Accounts receivable

Name of project	Ending balance	Beginning balance
Accounts receivable	1,562,283,924.40	1,312,727,362.83
Less: Provision for bad debts	21,055,116.22	31,758,575.66
Net amount	**1,541,228,808.18**	**1,280,968,787.17**

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

Ageing	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	1,169,165,310.01	5,811,972.59	0.50
1-2 years	257,009,022.98	1,296,222.24	0.50
2-3 years	110,371,726.65	545,830.58	0.50
3-4 years	7,008,378.15	4,081,276.19	58.23
4-5 years	7,278,985.47	3,747,170.85	51.48
Over 5 years	11,450,501.14	5,572,643.77	48.67
Total	**1,562,283,924.40**	**21,055,116.22**	**1.35**

(Continued)

Ageing	Beginning 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**

（2） Credit period of accounts receivable

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

（3） Breakdown of accounts receivable by risk

Type	Ending balance	Beginning balance

	Book balance		Provision for bad debts		Net amount	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Provision Percentage (%)		Amount	Percentage (%)	Amount	Provision Percentage (%)	
Accounts receivable which are individually significant and for which provision for bad debts is made on an individual basis						18,128,000.00	1.38	10,876,800.00	60.00	7,251,200.00
Accounts receivable for which provision for bad debts is made on a credit risk feature portfolio basis	1,548,944,424.04	99.15	7,715,615.86	0.50	1,541,228,808.18	1,280,117,698.16	97.52	6,400,110.99	0.50	1,273,717,587.17
Accounts receivable which are individually insignificant but for which provision for bad debts is made on an individual basis	13,339,500.36	0.85	13,339,500.36	100.00		14,481,664.67	1.10	14,481,664.67	100.00	
Total	**1,562,283,924.40**	—	**21,055,116.22**	—	**1,541,228,808.18**	**1,312,727,362.83**	—	**31,758,575.66**	—	**1,280,968,787.17**

Description: Wenchong Shipyard, a subsidiary of the Company, had accounts receivable from Shenzhen Shunchang Ocean Fishery Co., Ltd. ("Shunchang Ocean", a ship owner) in the amount of RMB18,128,000. Under an agreement entered into between Wenchong Shipyard and Shunchang Ocean, the receivable will be repaid over 10 years. As at the end of the year, RMB500,000 had been recovered in accordance with the agreement. Wenchong Shipyard transferred the accounts receivable into long-term receivables and transferred the provision for bad debts to provision for bad debts for long-term receivables.

1） Accounts receivable in the portfolio for which provision for bad debts is made using balance percentage method

Ageing	**Ending balance**		
	Accounts receivable	**Provision for bad debts**	**Percentage (%)**
Within 1 year	1,170,499,524.22	5,823,391.35	0.50
1-2 years	256,854,817.62	1,284,274.09	0.50
2-3 years	110,928,668.29	554,643.34	0.50
3-4 years	2,362,740.74	11,813.71	0.50
4-5 years	6,250,618.26	31,253.09	0.50
Over 5 years	2,048,054.91	10,240.28	0.50
Total	**1,548,944,424.04**	**7,715,615.86**	—

2） Accounts receivable which are individually insignificant but for which provision for bad debts is made on an individual basis as at the end of the year

Name	Ending balance			
	Accounts receivable	**Provision for bad debts**	**Percentage (%)**	**Reasons for provision**
TENOVA AUSTRALIA PTY LTD	3,991,468.02	3,991,468.02	100.00	Difficult to recover
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	3,549,843.68	3,549,843.68	100.00	The counterparty lost the suit but has no executable property
WHL-FONKWANG	2,662,054.68	2,662,054.68	100.00	Long overdue and there are signs of impairment
Chongqing Yuandong Fushi Electromechanical Company	894,670.00	894,670.00	100.00	Long ageing, with risk of collection.
Fuzhou Hongjia Electronic Technology Company	593,118.00	593,118.00	100.00	Long ageing, with risk of collection.
Chongqing South Group Company	263,698.87	263,698.87	100.00	There is dispute about the amount owed
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Long ageing, with risk of collection.
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Long ageing, with risk of collection.
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long ageing, with risk of collection.
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Long ageing, with risk of collection.
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long ageing, with risk of collection.
Wuhan Yuji Property Co., Ltd.	105,500.00	105,500.00	100.00	Long ageing, with risk of collection.
14 others	487,072.27	487,072.27	100.00	Long ageing, with risk of collection.
Total	**13,339,500.36**	**13,339,500.36**	—	—

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

Provision for bad debts made during the year amounted to RMB1,440,866.37; provision for bad debts released or reversed during the year amounted to RMB604,988.00.

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

Name	Amount reversed (or recovered) during the year	Recovery method	Reason for reversal (or recovery) during the year
China Railway 12th Bureau Group Co., Ltd.	138,281.00	Cash receipts	Receipt of goods payment through negotiations
Fuzhou Hongjia Electronic Technology Company	60,070.00	Cash receipts	Receipt of goods payment through negotiations
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	406,637.00	Cash receipts	Partial receipt of goods payment
Total	**604,988.00**		—

(5) Accounts receivable written-off during the year

Item	Amount written-off
Accounts receivable written-off	600,520.00

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

Name	Relationship with the Group	Ending balance	Ageing	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts Ending balance
Entity 1	Third party	200,917,109.10	Within 3 years	12.86	1,004,585.55
Entity 2	Third party	124,949,174.30	1-3 years	8.00	624,745.87
Entity 3	Third party	121,210,137.80	Within 2 years	7.76	606,050.69
Entity 4	Third party	87,125,312.32	Within 1 year	5.58	435,626.56
Entity 5	Third party	56,847,540.00	Within 1 year	3.64	284,237.77
Total		**591,049,273.52**		**37.83**	**2,955,246.44**

2. Accounts payable

(1). Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	4,732,575,259.17	4,141,139,784.10
Payment for projects under construction	139,654,470.85	165,483,222.71
Balance of product payment	522,958,298.33	651,882,976.17
Retention money	1,408,935,503.78	1,332,444,062.08
Other construction and labour services	852,113,733.56	972,686,131.90
Total	**7,656,237,265.69**	**7,263,636,176.96**

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

Ageing	Ending balance	Beginning balance
Within 1 year	6,410,815,147.85	6,412,627,506.32
1-2 years	820,663,794.19	564,707,692.41
2-3 years	198,414,252.64	124,352,471.96
Over 3 years	226,344,071.01	161,948,506.27
Total	**7,656,237,265.69**	**7,263,636,176.96**

(3). Significant accounts payable aged over one year

Name	Ending balance	Including:Amount over one year	Reason for unsettlement or carrying forward
China Shipbuilding NDRI Engineering Co., Ltd.	138,145,655.43	132,309,637.06	Payment for construction in progress
Foshan Nanhai Yuegui Oil and Chemical Supply Joint Venture	91,680,536.61	85,417,973.55	Equipment warranty and

Name	Ending balance	Including:Amount over one year	Reason for unsettlement or carrying forward
			provisional estimates
China Shipbuilding Industry Corporation B Research Institute	307,680,849.00	87,577,550.00	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation C Research Institute	72,820,000.00	62,953,075.47	Equipment warranty and provisional estimates
AL NEHRA PETROME FZE	45,017,175.95	45,017,175.95	Equipment warranty and provisional estimates
Havyard Global Solutions AS	24,262,779.64	24,262,779.64	Equipment warranty and provisional estimates
China Shipbuilding Industry Corporation D Research Institute	113,159,000.00	23,756,000.00	Equipment warranty and provisional estimates
Technology Department of a certain division	57,555,000.00	19,492,300.00	Equipment warranty and provisional estimates
Scientific research centre of Harbin Engineering University	22,262,400.00	19,183,700.00	Equipment warranty and provisional estimates
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,475,785.09	18,472,294.28	Undue
Shenzhen Hisibi Ship Technology Co., Ltd.	18,110,208.00	18,110,208.00	Equipment warranty and provisional estimates
Shanghai Construction Group Co., Ltd.	16,272,460.21	16,272,460.21	Equipment warranty and provisional estimates
Dalian Marine Diesel Engine Co., Ltd.	14,800,000.00	14,606,490.00	Retention money
Nanjing Panda Handa Technology Co., Ltd.	14,142,500.00	14,142,500.00	Retention money
China Offshore Environmental Service (Tianjin) Co., Ltd.	13,385,154.00	13,385,154.00	Equipment warranty and provisional estimates
China Aerospace Science and	13,200,000.00	13,200,000.00	Equipment

Name	Ending balance	Including:Amount over one year	Reason for unsettlement or carrying forward
Industry Corporation X Research Institute			warranty and provisional estimates
Yoshida Ltd	12,378,073.58	12,228,835.78	Equipment warranty and provisional estimates
Eastern Shanghai Heavy Machinery Co., Ltd.	51,263,758.66	12,189,500.00	Retention money
Aofeng Ship Electric (Hong Kong) Co., Ltd.	11,005,659.13	11,005,659.13	Equipment warranty and provisional estimates
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	262,410,337.46	10,190,806.10	Undue
Total	**1,318,027,332.76**	**653,774,099.17**	—

3. Undistributed profit

Item	Current year	Last year
Ending balance of last year	**1,173,657,685.44**	**1,153,355,946.59**
Add: Beginning adjustment to undistributed profit		
Beginning balance of the year	**1,173,657,685.44**	**1,153,355,946.59**
Add: Net profit attributable to owners of the Company for the year	87,796,591.29	71,224,250.43
Less: Statutory surplus reserve set aside	10,157,083.59	8,517,320.24
Discretionary surplus reserve set aside		
General reserve made		
Dividends payable on ordinary shares	22,616,102.05	42,405,191.34
Ending balance of the year	**1,228,681,091.09**	**1,173,657,685.44**

Description of profit distribution

Pursuant to the Proposal for Profit Distribution for 2016 approved at the general meeting of the Company held on 26 May 2017, the Company distributed cash dividends of RMB0.16 (inclusive of tax) for every 10 shares to all shareholders, totalling RMB22,616,102.05 based on the number of issued shares of 1,413,506,378.

4. Net current assets

Item	Ending balance	Beginning balance
Current assets	29,575,601,254.15	30,577,491,173.76
Less: Current liabilities	23,137,420,175.12	25,270,541,008.68
Net current assets	**6,438,181,079.03**	**5,306,950,165.08**

5. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	44,157,662,027.63	46,268,585,829.63
Less: Current liabilities	23,137,420,175.12	25,270,541,008.68
Total assets less current liabilities	**21,020,241,852.51**	**20,998,044,820.95**

6. Operating income & Operating costs

Item	Current year	Last year
Revenue from principal business	22,068,390,246.16	23,077,218,771.82
Income from other business	244,991,691.88	272,386,125.87
Total	**22,313,381,938.04**	**23,349,604,897.69**
Costs of principal business	20,746,447,426.94	21,496,215,754.88
Costs of other business	200,441,304.53	217,492,258.29
Total	**20,946,888,731.47**	**21,713,708,013.17**

Gross profit from principal business

Item	Current year	Last year
Revenue from principal business	22,068,390,246.16	23,077,218,771.82
Costs of principal business	20,746,447,426.94	21,496,215,754.88
Gross profit	1,321,942,819.22	1,581,003,016.94

Income from building contracts

Item	Current year	Last year
Income from building contracts	20,532,587,272.11	21,466,878,717.33

(1) Principal business – by product

Product name	Current year	Last year
Operating income		
Shipbuilding	18,019,685,451.60	18,754,775,750.13
Offshore engineering products	2,149,511,747.39	2,577,790,855.88
Ship maintenance	240,980,902.48	384,298,812.73
Steel structure engineering	1,009,381,917.95	900,321,575.21
Electromechanical products and others	648,830,226.74	460,031,777.87
Total	**22,068,390,246.16**	**23,077,218,771.82**
Operating costs		
Shipbuilding	16,778,382,132.50	17,849,283,111.95
Offshore engineering products	2,276,550,433.21	2,190,171,776.63
Ship maintenance	226,177,355.67	305,032,157.86
Steel structure engineering	886,436,024.23	803,930,677.36
Electromechanical products and others	578,901,481.33	347,798,031.08
Total	**20,746,447,426.94**	**21,496,215,754.88**

(2) Principal business – by region

Region	Current year	Last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	15,076,725,666.01	15,938,941,577.42
Other regions in Asia	1,910,696,025.11	1,670,867,043.34
Europe	3,704,884,516.76	4,691,379,889.36
Oceania	367,697,785.00	592,565,668.85
North America	785,053,651.23	15,518,639.24
Africa	67,588,288.81	167,945,953.61
South America	155,744,313.24	
Total	**22,068,390,246.16**	**23,077,218,771.82**
Operating costs		
China (including Hong Kong, Macau and Taiwan)	13,937,282,583.06	14,710,069,491.33
Other regions in Asia	1,808,319,098.90	1,649,228,596.61
Europe	3,661,276,288.67	4,386,680,409.29
Oceania	395,581,284.12	573,690,921.80
North America	787,374,155.93	19,627,963.40
Africa	29,791,295.74	156,918,372.45
South America	126,822,720.52	
Total	**20,746,447,426.94**	**21,496,215,754.88**

(3) Other operating income and other operating costs

Product name	Current year	Last year
Income from other business		
Sale of materials	39,811,511.03	48,895,779.75
Sales of scrap materials	70,275,401.83	52,853,141.07
Service income	10,332,621.35	11,200,125.03
Rental income	67,064,333.77	91,384,340.83
Energy income	45,156,731.51	58,607,482.88
Others	12,351,092.39	9,445,256.31
Total	**244,991,691.88**	**272,386,125.87**
Costs of other business		
Sale of materials	43,369,941.31	45,858,963.14
Sales of scrap materials	51,806,549.21	39,661,044.40
Service income	5,869,716.36	8,659,367.59
Rental income	47,897,896.22	63,152,982.68
Energy income	44,462,796.23	59,021,041.24
Others	7,034,405.20	1,138,859.24
Total	**200,441,304.53**	**217,492,258.29**

(4) Contract revenue

Contract item		Total contract amount	Accumulated cost incurred	Accumulated gross profit recognized	Amount settled	Provision for obsolete stocks as at the end of the year
Fixed price contracts	**Total contracts under construction**	**63,688,371,381.22**	**24,878,318,317.19**	**837,230,971.58**	**23,389,355,315.00**	**298,699,306.89**

Contract item		Total contract amount	Accumulated cost incurred	Accumulated gross profit recognized	Amount settled	Provision for obsolete stocks as at the end of the year
	Special ships	35,342,622,301.00	11,306,532,514.74	847,907,346.43	15,448,066,614.80	41,966,701.00
	Offshore engineering products	8,230,390,932.08	5,050,868,150.30	-75,292,796.53	2,324,966,728.99	33,270,544.34
	Tankers for product oil/chemicals	5,639,518,840.00	2,563,237,536.66	-27,457,584.46	1,524,473,907.50	131,549,835.23
	Containerships	4,799,138,717.06	1,453,941,848.58	237,544.93	893,442,753.25	34,917,022.81
	Ro-ro passenger ships	2,590,402,000.00	1,603,495,896.59	10,106,711.78	1,294,763,764.10	
	Crude oil tankers	2,512,789,800.00	1,029,613,512.99	84,115,383.78	589,896,200.00	
	Bulk carriers	1,717,967,382.54	973,553,157.34	6,776,457.53	400,720,554.82	43,788,278.84
	Dredgers	1,256,820,000.00	200,010,687.26		245,337,520.16	
	Ore carriers	982,560,000.00	330,833,401.89		364,427,232.00	11,994,879.39
	Non-ship building contracts	616,161,408.54	366,231,610.84	-9,162,091.88	303,260,039.38	1,212,045.28

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	Relationship with the Group	Current year	Percentage of total operating income (%)
First	Third party	9,021,783,443.47	40.88
Second	Third party	985,878,466.96	4.47
Third	Third party	762,115,459.62	3.45
Fourth	Third party	723,751,354.85	3.28
Fifth	Third party	709,258,316.46	3.21
Total		**12,202,787,041.36**	**55.30**

(6) Purchase amounts from top five suppliers

Supplier	Relationship with the Group	Amount	Percentage of total operating costs (%)
First	Under common control of CSSC	2,751,070,355.74	13.26
Second	Third party	777,810,896.69	3.75
Third	Under common control of CSSC	566,042,515.39	2.73
Fourth	Third party	439,655,924.53	2.12
Fifth	Third party	344,215,000.00	1.66
Total		**4,878,794,692.35**	**23.52**

7. Finance cost

(1). Breakdown of finance costs

Item	Current year	Last year
Interest expenses	391,358,096.85	457,366,076.46
Less: Interest income	172,777,471.91	350,493,138.33
Add: Exchange losses	299,608,522.21	-159,441,673.70
Add: Other expenses	10,587,400.31	34,622,187.90
Total	**528,776,547.46**	**-17,946,547.67**

(2). Breakdown of interest expenses

Item	Current year	Last year
Interest on bank loans and overdraft		
Interest on bank borrowings due within 5 years	266,486,676.23	410,881,399.54
Other borrowings		
Interest on other borrowings due within 5 years	170,878,649.99	49,097,562.78
Other interest expenses	8,341,547.15	6,123,292.57
Sub-total	445,706,873.37	466,102,254.89
Less: Interest capitalised	9,278,776.52	8,736,178.43
Less: Interest subsidy	45,070,000.00	
Total	**391,358,096.85**	**457,366,076.46**

(3). Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	172,777,471.91	326,129,452.53
Interest income from receivables		24,363,685.80
Total	**172,777,471.91**	**350,493,138.33**

8. Gain/loss on change in fair value

Item	Current year	Last year
Financial assets at fair value through profit or loss	6,602,255.91	-13,063,411.11
Financial liabilities at fair value through profit or loss	-3,366,294.31	181,241,917.70
Total	**3,235,961.60**	**168,178,506.59**

9. Investment income

Item	Current year	Last year
Gain on long-term equity investments accounted for using equity method	-1,600,524.97	1,779,996.01
Investment income from disposal of long-term equity investments	74,229,303.45	26,896,200.00
Investment income from disposal of financial assets at fair value through profit or loss	8,214,478.00	-153,955,707.44
Investment income from holding entrusted wealth management products	64,625,451.49	75,873,758.87
Investment income from holding available-for-sale financial assets	1,024,478.82	1,034,272.27
Other	950,369.02	

Item	Current year	Last year
Total	**147,443,555.81**	**-48,371,480.29**

The investment income from investment in listed companies and non-listed companies for the year amounted to RMB150,980.73 (Last year: RMB149,621.74) and RMB147,281,315.07 (Last year: 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	1,790,991.99	2,302,601.24	1,790,991.99
Including: Gain on disposal of fixed assets	1,790,991.99	2,302,601.24	1,790,991.99
Government grants	11,836,275.93	206,083,062.71	11,836,275.93
Land compensation for GSI	826,965,300.00		826,965,300.00
Shipbuilding order cancellation compensation	15,908,360.00		15,908,360.00
Penalty income	697,800.71	350,465.70	697,800.71
Compensation income	4,906,165.35	2,529,023.43	4,906,165.35
Others	1,944,684.43	4,905,259.77	1,944,684.43
Total	**864,049,578.41**	**216,170,412.85**	**864,049,578.41**

The amount included in non-recurring gains and losses for current period was RMB864,049,578.41 (previous year: RMB135,827,015.73)

(2). Breakdown of government grants

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Subsidy for separation and transfer of water, power and gas supply and property management business	5,537,773.14		National government subsidy	Relating to revenue
Export credit insurance subsidy for polar condensate tankers	1,195,800.00		Guangzhou Municipal Finance Bureau	Relating to revenue
Incentive subsidy for contribution to local economic development by headquarters	1,400,000.00		National government subsidy	Relating to revenue
Steady industrial growth bonus	2,000,000.00	2,030,000.00	National government subsidy	Relating to revenue
Research of shipbuilding process and technology		3,189,746.59	National government subsidy	Relating to revenue

Development of dual-fuel high-speed luxury Ro/Ro ships		7,600,000.00	MIIT	Relating to revenue
Research of comprehensive ship building process and technology		5,000,000.00	National government subsidy	Relating to revenue
Third batch of technological funding arrangement for 2015		4,925,125.00	Shui 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	Shui 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
Research of key technologies for polar deck ships		4,950,000.00	MIIT	Relating to revenue
Development and industrialization of intelligent manufacturing integrated platform for marine products		1,012,545.13	National government subsidy	Relating to revenue
Research and development and industrial application of FPSO upgrading technology		918,666.37	National Development and Reform Commission	Relating to revenue
Special grants for key enterprises conducting industrial transformation and upgrading for 2016		1,000,000.00	National government subsidy	Relating to revenue
Offshore expansion project		3,500,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao Ji Gai [2009] No. 666, Yue Jing Mao [2009] No. 870	Relating to assets
Offshore engineering phase I		1,500,000.00	Yue Cai Gong [2010] No. 445	Relating to assets
Offshore platform project		300,000.00	Sui Fa Gai [2013] No. 308	Relating to assets

Research and development of diving support ships		3,000,000.00	Gong Xin Bu Lian Zhuang [2014] No. 507	Relating to revenue
Research and development of key technologies for meter deepwater drillships		5,000,000.00	Chuan Gong Ke [2013] No. 912	Relating to revenue
Subsidy for supplementing and improving maritime engineering equipment production facilities construction		5,000,000.00	National government subsidy	Relating to revenue
Research and manufacture of drilling wave compensation device		1,850,000.00	Chuan Gong Ke [2014] No. 22	Relating to revenue
Research of key technologies for polar multi-purpose ships		1,080,000.00	Gong Xin Bu Lian Zhuang [2014] No. 507	Relating to revenue
Dividends		25,993,771.00	Ministry of Finance	Relating to revenue
Research of shipbuilding process		3,000,000.00	National government subsidy	Relating to revenue
Post subsidies from Huangpu District Government for research and development expenses in 2014		7,680,600.00	National government subsidy	Relating to revenue
Research of assembly and building process for domestic ancillary facilities		2,000,000.00	National government subsidy	Relating to revenue
Research and development of semi-submerged engineering ships		6,827,333.64	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
Grant for insurance premium for first piece (set)		53,210,000.00	National government subsidy	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	Shui Ke Chuang Zi (2016) No. 68	Relating to revenue
Research and development of key ship technologies		1,700,000.00	Ke Gong Ji [2016] No. 637	Relating to revenue
Post subsidy		2,681,200.00	Shui Ke Chuang Zi [2016] No. 203	Relating to revenue
Other projects	1,702,702.79	14,806,780.52		
Total	**11,836,275.93**	**206,083,062.71**		

(3). Description of land compensation for GSI

On 17 November 2017, GSI, a subsidiary of the Company, and Guangzhou Shipyard Shipping Co., Ltd. ("Guangzhou Shipyard Shipping") entered into the Agreement in relation to Compensation for Relocation from the Liwan Plant Land of GSI. The principal terms of the agreement include: 1) GSI agreed to actively coordinate with the government for the finalisation of the Detailed Regulatory Plan and Guangzhou Shipyard Shipping agreed to pay compensation of RMB2,100/square metre to GSI; 2) both parties agreed that through active coordination of GSI, Guangzhou Municipal Land Development Centre entered into the Agreement for Compensation for Acquisition of the State-owned Land Use Right in respect of the Land at the Liwan Plant of GSI on 11 August 2017. GSI shall actively coordinate with the relevant government authorities to ensure that the Detailed Regulatory Plan is approved by the government by 30 December 2017; and Guangzhou Shipyard Shipping agreed to pay compensation of RMB826,965,300 to GSI.

In the process of transaction, the relocation of GSI was under smooth progress. With the active coordination of GSI, the Agreement for Compensation for Acquisition of the State-owned Land Use Right in respect of the Land at the Liwan Plant of GSI was successfully entered into, and the Detailed Regulatory Plan for the GSI land was approved by the government before 31 December 2017. The obligations of GSI under the agreement had been performed, and the compensation paid by Guangzhou Shipyard Shipping in the amount of RMB826,965,300 was received before 31 December 2017, which was recognized by GSI as its "non-operating income" for 2017.

(4). Description of profit from disposal of properties

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

11. Income tax expense

(1). Income tax expense

Item	Current year	Last year
Current income tax calculated in accordance with the tax law and relevant regulations	24,714,547.15	59,819,350.53
- PRC enterprise income tax	13,754,887.95	50,035,538.78
- Hong Kong profits tax	10,922,990.12	9,814,849.13
- Macau income tax	36,669.08	-31,037.38
Deferred income tax expenses	43,127,811.56	-27,072,703.16
Total	**67,842,358.71**	**32,746,647.37**

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

Item	Current year
Total consolidated profit for the year	168,481,509.99
Income tax expenses calculated at statutory/applicable tax rate	42,120,377.50
Impact of different tax rates for subsidiaries	-7,179,146.44
Impact of adjustment for income tax for previous periods	629,337.01
Impact of non-taxable income	-211,746.64

Item	Current year
Impact of non-deductible costs, expenses and losses	2,876,425.77
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-74,632,787.93
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	110,209,357.85
Other (including the effect of deduction)	-5,969,458.41
Income tax expense	67,842,358.71

(3). Main taxes and rates

Type	Tax basis	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	11%
	Modern services industry	6%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

Notes on taxpayers subject to different enterprise income tax rates:

Name of entity	Tax rate	Remarks
the Company	25%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Glory Group Development Limited	16.5%	Incorporated in Hong Kong
Fonkwang Development Limited	16.5%	Incorporated in Hong Kong
Fonkwang (Macau) Development Single Person Co., Ltd.	12%	Incorporated in Macau and deregistered in 2017
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprise
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 computer company, a subsidiary of the Company, passed the certification of first batch of high-tech enterprises in 2014 with a validity period of three years. In 2017, the computer company re-applied for the hi-tech enterprise certification, and the National High-tech Enterprise Certification Management Leading Group Office released the list of proposed high-tech enterprises online on 19 November 2017 for display for a period of 10 working days. Currently the display period has expired. As at the date of this report, the Company has not received the hi-tech enterprise certificate. However, the Company considered that it will be able to obtain the certificate before the tax payment. As such, its income tax for 2017 continued to be accounted for at 15%.

Huangpu Wenchong, a subsidiary of the Company, passed the certification of second batch of high-tech enterprises in 2015 with a validity period of three years, enterprise income tax for 2017 shall be paid at a rate of 15%;

GSI and Wenchong Shipyard, both subsidiaries of the Company, passed the certification of third batch of high-tech enterprises in 2016 with a validity period: three years, enterprise income tax for 2017 shall be paid at a rate of 15% as the Company had not chosen the favourable tax treatments.

3）Property tax

On 29 December 2017, Guangzhou Huangpu Local Taxation Bureau issued the Taxation Matter Notice (Pu Shui Tong [2017] No. 26471), which states that Wenchong Shipyard, a subsidiary of the Company, was granted a preferential taxation treatment of 50% reduction in property tax in the amount of RMB1,358,867.30 in accordance with the Interim Regulations for Property Tax of the People’s Republic of China.

4）Land use tax

On 10 January 2018, Guangzhou Huangpu Local Taxation Bureau issued the Taxation Matter Notice (Pu Shui Tong [2018] No. 679), which states that Wenchong Shipyard, a subsidiary of the

Company, was granted a preferential taxation treatment of 50% reduction in land use tax in the amount of RMB878,008.30 in accordance with the Decision of the State Council on Amending the Interim Regulations for the Urban Land Use Tax of the People's Republic of China.

12. Earnings per share

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

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

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

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

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

Item	No.	Current year	Last year
Net profit attributable to shareholders of the Company	1	87,796,591.29	71,224,250.43
Non-recurring gains and losses attributable to the Company	2	1,124,041,741.27	167,220,771.03
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	-1,036,245,149.98	-95,996,520.60
Total number of shares at the beginning of the year	4	1,413,506,378.00	1,413,506,378.00
Number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)	5		
Number of shares increased due to issuance of new shares or debt for equity swap (II)	6		
Number of months from next month to the year end regarding the number of shares (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the next month to the year end regarding the decrease of shares	9		

Item	No.	Current year	Last year
Number of shares decreased due to capital reduction	10		
Number of months in the reporting period	11	12.00	12.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,413,506,378.00
Weighted average number of ordinary shares outstanding following adjustments in relation to business combination under common control for the purposes of earnings per share after deduction of non-recurring gains and losses	13	1,413,506,378.00	1,413,506,378.00
Basic earnings per share (I)	14=1÷12	0.0621	0.0504
Basic earnings per share (II)	15=3÷13	-0.7331	-0.0679
Potential diluted interests of ordinary shares recognised as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted earnings per share (I)	20=[1+(16-18)×(1-17)]÷(12+19)	0.0621	0.0504
Diluted earnings per share (II)	21=[3+(16－18)×(1-17)]÷(13+19)	-0.7331	-0.0679

13. DIVIDENDS

Final dividends for the year ended 31 December 2016 totalling RMB22,616,102.05 were declared and paid during the twelve-month period ended 31 December 2016 (2016: RMBB42,405,191.34).

According to a resolution of the board of directors of the Company dated 29 March 2018, the Company will not distribute dividend for the year, nor will it increase its share capital by way of capitalisation of reserves. This profit distribution proposal is subject to the approval at the 2017 annual general meeting.

14. Depreciation and amortisation

Item	Current year	Last year
Depreciation of investment properties	628,712.16	628,712.16
Depreciation of fixed assets	671,545,789.65	661,376,968.72
Amortisation of intangible assets	63,396,438.65	58,510,981.04
Amortisation of long-term prepaid expenses	8,631,086.84	11,990,156.47
Total	**744,202,027.30**	**732,506,818.39**

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

At the 38th meeting of the eighth session of the Board and the first extraordinary general meeting of 2017 held on 14 July and 29 August 2017, respectively, the resolution on the transfer of 51% equity interest in GSI Yangzhou Co., Ltd. and relatedparty transaction was considered and passed, pursuant to which 51% equity interest in GSI Yangzhou, a wholly-owned subsidiary of the Company, will be transferred to CSSC, the controlling shareholder of the Company, as agreed at a consideration of RMB741,158,500.

The date of valuation for the equity transaction was 31 August 2016. As valued under the asset-based approach, the appraised value of net assets was RMB1,399,420,800. Compared to the carrying value of net assets of RMB1,306,862,900, the appreciation amount was RMB92,557,900 and the appreciation ratio was 7.08%. On this basis, the consideration for the transfer of 51% equity interest in GSI Yangzhou was determined to be RMB713,704,600. In May 2017, Jiangdu Land and Resource Bureau listed the land adjacent to the plant area of GSI Yangzhou and the buildings erected thereon with an area of 227,398 square metres for sale, and GSI Yangzhou successfully won the bid. The price for the land transaction was RMB131,051,200. GSI Yangzhou is required to pay RMB77,220,000 only and the relevant taxes and fees to obtain the land use right for such land and the ownership of the buildings erected on the land. The remaining RMB53,831,200 will be paid with the deposits in the special land premium account of Jiangdu District. As a result, there had been a significant change in the fair value (appraised value) of net assets of GSI Yangzhou in the amount of RMB1,453,252,000. As a result, the transaction price for the transfer of 51% equity interest in GSI Yangzhou was adjusted to RMB741,158,500.

On 8 August 2017, the Company and CSSC entered into an ownership transfer contract. On 31 August 2017, the procedures for the business change and asset transfer for GSI Yangzhou was completed. On 1 September 2017, CSSC issued the Letter in respect of Nomination of Directors of GSI Yangzhou Co., Ltd., which stated that CSSC "nominated three directors of GSI Yangzhou, being Chen Qiongxiang, Li Zhidong and Ouyang Beijing, with effect from 1 September 2017". By then, the Company and CSSC held 49% and 51% equity interest in GSI Yangzhou, respectively. The procedures for transfer of control had been completed, and the Company's disposal of 51% equity interest in GSI Yangzhou was fully completed and all consideration for the transfer had been received. When preparing the consolidated financial statements, the remaining 49% equity interest was re-measured at the fair value on the date of loss of control. The difference between the sum of the consideration for equity transfer and the fair value of the remaining equity interest and the share of net assets of GSI Yangzhou based on the previous shareholding percentage in the amount of RMB74,229,303.45 was included in investment income.

The Company’s gain (or loss) on disposal of properties in 2017 was nil.

IV. Segment information

1. Basis for determination of reportable segments and accounting policies

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

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

2. Financial Information of reportable segments for the year

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

Segment information for the year

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
Operating income	22,597,390,327.50	1,072,539,494.65	1,826,119,813.37	-3,182,667,697.48	22,313,381,938.04
Including: Revenue from external transactions	20,461,012,459.35	1,009,381,917.95	842,987,560.74		22,313,381,938.04
Revenue from intra-segment transactions	2,136,377,868.15	63,157,576.70	983,132,252.63	-3,182,667,697.48	
Operating costs	21,954,197,336.11	575,561,830.46	2,367,774,706.06	-3,950,645,141.16	20,946,888,731.47
Period charge	1,828,600,727.68	42,507,509.62	122,504,973.43	-13,110,091.42	1,980,503,119.31
Segment total profit (total loss)	15,368,056.36	73,569,299.85	135,172,024.66	-55,627,870.88	168,481,509.99
Total assets	44,683,021,148.98	432,120,390.86	12,031,832,892.01	-12,989,312,404.22	44,157,662,027.63
Total liabilities	33,627,591,564.32	192,846,015.65	2,234,927,660.90	-3,843,845,081.36	32,211,520,159.51
Supplementary information					
Capital Expenditure	775,231,179.26	373,880.05	198,961,593.35	-110,929,282.02	863,637,370.64
Impairment loss recognised during current period	207,240,029.56	252,339.61	-4,291,264.13	-9,961,744.55	193,239,360.49
Depreciation and amortisation	638,833,731.11	1,838,030.29	104,586,742.63	-1,056,476.73	744,202,027.30

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-segment elimination	Total
expense					

Segment information for the previous year

Item	Shipbuilding and related business	Steel structure engineering	Others	Inter-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
Including: 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
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
Depreciation and amortisation expense	615,918,256.36	5,830,437.61	118,118,067.23	-7,359,942.81	732,506,818.39

(2) Revenue from external transactions by origin of revenue

Revenue from external transactions	Current year	Last year
Revenue from external transactions derived from China	15,321,717,357.89	16,211,327,703.29
Revenue from external transactions derived from other countries	6,991,664,580.15	7,138,277,194.40
Total	**22,313,381,938.04**	**23,349,604,897.69**

(3) Non-current assets by location of assets

Total non-current assets	Ending balance	Beginning balance
Non-current assets within China	13,380,356,734.16	13,605,531,080.32
Non-current assets within other countries	260,187,291.34	14,829,188.42
Total	**13,640,544,025.50**	**13,620,360,268.74**

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

ACKNOWLEDGEMENT

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

By order of the Board
CSSC Offshore & Marine Engineering (Group) Company Limited
Chairman
Han Guangde

Guangzhou, 29 March 2018

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. Shi Jun and independent non-executive Directors Mr. Wang Yichu, Mr. Min Weiguo, Mr. Liu Renhuai and Mr. Yu Shiyou.