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 2019

(Financial Highlights)

Turnover:	**RMB**21,829,002,963.77
Profit attributable to equity holders of the Company:	**RMB**548,320,338.54
Earnings per share attributable to equity holders of the Company:	**RMB**0.3879

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 2019 (the "Reporting Period") which were prepared in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China (the "PRC"), together with comparative figures for the same period in 2018, as follows:

DIVIDENDS

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

(I) Profit distribution principle

The Company shall implement a continuous and stable profit distribution policy and the profit distribution of the Company shall be made in accordance with the statutory sequence of distribution. It attaches importance to providing reasonable and stable investment returns for its shareholders and maintaining the Company's long-term and sustainable development. In principle, the Company shall distribute its distributable profit on a yearly basis and it can also declare interim dividends.

(II) Ways of profit distribution

The Company may distribute its dividends by way of cash, shares or a combination of both, with dividend distribution in cash taking priority. In distributing profits by means of shares, the Company should give due regard to the genuine and reasonable factors such as growth and dilution to net assets per share, etc. The distribution of profits shall not exceed the limit of cumulative distributable profits.

(III) Conditions and proportion of dividend distribution

1. On the premise of satisfying the criteria for distribution of cash dividends, in principle, the Company shall distribute dividends in cash on a yearly basis. The Board can recommend to the Company to declare interim dividends based on the Company's profits and capital needs;

2. On the premise of satisfying the criteria for distribution of cash dividends, in principle, the Company shall distribute cash dividends based on a fixed proportion of distributable profits achieved in a year. The cumulative profit distribution in cash for the last three years shall not be less than 30% of the average distributable profit for the last three years;

3. The Company can increase the distribution of share dividends as an additional means for profit distribution, and the sum of cash dividends and share dividends shall not be less than 50% of the distributable profits for the year. In determining the specific amount for distributing profits by means of shares, the Company should give due regard to whether the total share capital after profit distribution by means of shares corresponds to the Company's current scale of operation and profit growth rate, and consider the impact on the debt financing cost of future loans, so as to ensure that the profit distribution plan is in line with the overall interests and long-term interests of shareholders as a whole.

4. In principle, in distributing cash dividends, the Company shall at the same time satisfy the following conditions:

   (i) The Company has made a profit for that year, and after compensating for losses in previous years and withdrawing reserves from the provident fund according to law, the cumulative undistributed profits shall be positive, and the earnings per share shall not be less than RMB0.05;

   (ii) Auditors issue a standard audit report with unqualified opinion for the Company's financial report for the year;

   (iii) The Company's asset-liability ratio shall not exceed 70%;

   (iv) The Company does not have material investment plan or material cash expenditures for the year.

Material investment plan or material cash expenditures refer to: The Company intends to make external investment, acquire assets or purchase equipment in the following 12 months with cumulative expenditure reaching or over 10% of its latest audited net assets of and exceeding RMB500,000,000;

(v) If the Board does not propose to distribute profits in cash in the year when the Company is profitable, it shall state the reason why the profits are not distributed in its annual report for the year, and the use and plans of use in respect of the undistributed capital reserve. Independent directors shall express independent opinions on such non-distribution of profits and disclose their opinions to the public. If the Company does not propose to distribute profits in cash when it is profitable during the Reporting Period, it shall provide an online voting platform to its shareholders in addition to an on-site meeting when it holds general meetings.

According to the resolutions of the Board dated 27 March 2020, the profit distribution plan during the Reporting Period are as following: In accordance with the Articles of Association of the Company, if the Company intends to distribute cash dividends, its asset-liability ratio shall not exceed 70% and the aggregate undistributed profits in the consolidated financial statements shall be positive. However, the asset-liability ratio of the Company was 70.27% as at 31 December 2019. In addition, the Company's undistributed profits in the financial statements of the parent company for 2019 amounted to RMB721,076,162.84 and undistributed profits in the consolidated financial statements amounted to RMB-1,605,393,084.53. Accordingly, the Company does not intend to declare any dividends for 2019. At the same time, the Company also would not convert capital reserve into share capital. This profit distribution proposal is subject to approval at the 2019 annual general meeting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(I) Development of the shipbuilding market in 2019

1. The macro-environment was challenging and the shipbuilding market was declining. In 2019, although the improvement of shipping fundamentals supported the overall upward trend of freight rates, due to the sluggish global economy, increased international trade and geopolitical risks, coupled with sulfur restrictions not yet fully released, shipowner remained relatively cautious about investment, and demand for new ships in the shipbuilding market shrank significantly. According to statistics of Clarkson Research Services Limited of the United Kingdom, from January to December 2019, the total number of orders of new ships during the year was 1,151 ships/64,402,000 DWT, representing a year-on-year decrease of 31.4%. China accounted for 28,133,000 DWT, or 43.7% of the total global volume. The global new ship completion and delivery volume was 98,392,000 DWT, representing a year-on-year increase of 22.8%, and China accounted for 36,585,000 DWT, or approximately 37.2% of the total global volume. As at the end of December 2019, global orders on hand totaled 186,371,000 DWT, representing a year-on-year decrease of 10.4%. China accounted for 83,965,000 DWT, or approximately 45.1% of the total global volume.

2. The new ship segment continued to be fragmented, and only the LPG ship market was relatively active. In terms of tankers, the total number of orders of new ships during the year was 191 ships/22,480,000 DWT, representing a year-on-year decrease of 17.0%. Specific orders include 31 VLCCs, 30 Suez tankers, 32 Afra oil tankers, 13 LR2 refined oil tankers, 49 MR type product oil tankers and 36 small product oil tankers and chemical tankers over 10,000 tons. For bulk carriers, the total number of orders of new ships during the year was 249 ships/24,600,000 DWT, representing a year-on-year decrease of 44.7%. The specific orders included 58 Capesize vessels, 77 Panamax vessels, 69 large portable vessels, and 48 small portable vessels. In terms of container ships, the total number of orders of new ships during the year was 77 ships/8,150,000 DWT, representing a year-on-year decrease of 40.8%. The specific orders included 36 super Panamax container ships, 4 new Panamax container ships and 37 regional container ships. In contrast, the liquefied gas ship market continued its fierce demand. In 2019, 61 LNG ships and 57 LPG ships were sold globally, with a total volume of 7,100,000 DWT, representing a slight year-on-year decrease of 4.1%.

3. Competition in the market has intensified again, and the price of new ships has been under pressure. Since 2019, due to the lack of new ship orders, shipyards' orders on hand have shrunk, and industry competition has intensified. In addition, the fall in the price of marine steel plates has eased the pressure on shipbuilding costs, enabling the price of ships shifting from weak upwards to slight recovery. As of December, the Clarkson new ship price index was 129.8 points, down 1.2 point from the highest 131.0 points during the year; the new shipbuilding price China index was 1,115 points, down 15 points from the highest 1,130 points during the year. From the perspective of the main ship types, the China index of new shipbuilding prices for bulk carriers, oil tankers and container ships all rebounded, and reached 1,358 points, 1,200 points, and 856 points, respectively, in December, which were 15 points, 20 points, and 16 points lower than the peak during the year; in contrast, the new shipbuilding prices of liquefied gas ships were generally higher, and the China index in December was 1,387 points, which was still at a high level.

4. The offshore engineering equipment market was generally quiet, but production platforms remained active. Although the upstream market showed a recovery momentum, the situation of oversupply was not fundamentally reversed. The size of idle equipment and the size of shipyard inventory and equipment were still large, and the demand for new construction and modification of offshore equipment was seriously insufficient. In 2019, a total of 57 types of offshore engineering equipment were traded worldwide, with a total value of RMB7.88 billion, which was basically the same as last year. This was also the fourth consecutive year since 2016 in which the turnover of global offshore engineering equipment was below USD10 billion. Especially in the drilling platform market, only one semi-submersible drilling order was delivered in 2019, which was an option for orders in 2018. In terms of offshore engineering ships, a total of 35 vessels were delivered with a total value of USD2.04 billion, representing a year-on-year decrease of 26%. The orders were mainly semi-submersible transport ships, offshore wind power construction operation and maintenance ships, and jack-up service platforms. There were no orders for platform supply vessels and three-purpose work vessels. The floating production platform has maintained an active trend since 2017, with a total of 21 ships/seats, totaling USD5.42 billion, representing a year-on-year increase of approximately 20%, which contained 11 FPSOs, totaling RMB4.17 billion.

(II) Performance of the Group

During the year, under the circumstances of increasing competition in the ship market and a drop in the price of new ships, the Company actively made use of its advantages as a listed company to help the business development of the group entities, resolutely fulfilled the key responsibility relating to a strong army, closely followed up military orders, and strengthened the management of civilian products, maintained orders for marine and non-shipping businesses, and focused on improving production efficiency to contribute to the development of the Company with high quality.

1. The results of operational orders are remarkable, while profitability needs to be improved

In 2019, the Group realized operating income of RMB21.829 billion, of which RMB548 million was net profit attributable to the shareholders of the Company., The annual operational orders amounted to RMB31.946 billion, representing a year-on-year increase of 32.4%, of which orders for military products recorded a significant year-on-year increase and new breakthroughs were made in applied industries, with over RMB2 billion orders undertaken.

While operating results improved, group entities focused on strengthening production management and cost control, continuously streamlining production processes, and striving to shorten the shipbuilding cycle, which has achieved certain results. However, in general, the price of new ships has not substantially recovered, and labor and other costs remained high. Therefore, the Company's profitability needed to be further improved. Net profit attributable to the shareholders of the Company for 2019 after deduction of non-recurring gains and losses amounted to RMB-1.017 billion.

2. Carrying out major asset restructuring projects to promote high-quality development of the Company

During the Reporting Period, the Company sold 27.4214% equity interest of GSI to China State Shipbuilding Corporation while at the same time waving the right of first refusal to acquire the 23.5786% equity of GSI and 30.9836% of Huangpu Wenchong which the Company's market-oriented debt-to-equity swap investors intended to transfer. The transfer benefits the Company's industrial structure adjustment, improves the Company's operating efficiency, reduces the Company's financial burden, improves its overall profitability and promotes high quality development. On 19 March 2020, the transfer of 27.4214% equity interest of GSI was completed and therefore, GSI was no longer a controlled subsidiary of the Company and the financial results of GSI would no longer be consolidated into the Group's financial results. The Company adjusted the relevant accounting treatment requirements of the investee due to the loss of disposal of some equity investments in accordance with the Accounting Standards for Business Enterprises No. 33-Consolidated Financial Statements. After the adjustments according to the above regulation, this transaction will increase the Company's 2020 investment income in the consolidated statements by approximately RMB2.847 billion.

3. *Actively expanding business types and diversifying its application business*

In 2019, while continuously improving the operating efficiency of its principle business, the Company actively expanded the application industry business. Through the synergies of production resources and product structure, it achieved good results in the steel structure business, mechanical and electrical business and environmental protection business, and further strengthened its market competitiveness.

OPERATIONAL REVIEW

During the Reporting Period, the Group completed 51ships+3platforms/2,150,400 DWT, and realized operating income of RMB21.829 billion, representing a year-on-year increase of 13.61%. The total profit was RMB0.991 billion, representing a year-on-year increase of RMB3.451 billion. Net profit attributable to the shareholders of the Company were RMB0.548 billion, representing a year-on-year increase of RMB2.417 billion.

Item	The Group's ship transportation equipment manufacturing-three major shipbuilding indicators		
	Shipbuilding completion	New order	Orders on hand
2019	51ships+3platforms/2,150,400 DWT	42ships/1,035,000 DWT	137ships+5platforms/5,153,600 DWT
2018	51ships+1platform/2,034,000 DWT	69ships+2platforms/2,933,600 DWT	146ships+8platfomrs/5,743,000 DWT

FINANCIAL REVIEW

For the year ended 31 December 2019, the operating income of the Group prepared under the PRC Accounting Standards for Business Enterprises amounted to RMB21.829 billion, representing an increase of 13.61% compared with last year. The audited net profit attributable to the shareholders of the Company for the year amounted to RMB0.548 billion, earnings per share amounted to RMB0.3879 and earnings per share after deduction of non-recurring gains and losses amounted to RMB-0.7196.

Key financial indicators	2019	2018	2017	2016	2015
Basic earnings per share (RMB/share)	0.3879	-1.3223	-0.0357	-0.0597	0.0709
Diluted earnings per share (RMB/share)	0.3879	-1.3223	-0.0357	-0.0597	0.0709
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	-0.7196	-1.2434	-0.7331	-0.0679	-1.2291
Weighted average return on equity (%)	5.49	-17.23	-0.47	-0.79	0.99
Weighted average return on equity after deduction of non-recurring gains and losses (%)	-10.19	-16.64	-9.97	-0.93	-17.86

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	21,829,002,963.77	19,213,596,394.03	13.61
Operating cost	20,959,294,954.13	19,262,469,746.28	8.81
Sales expense	136,934,171.32	86,255,214.60	58.75
Administrative expense	900,958,609.80	892,844,116.09	0.91
Research and development expense	557,782,189.67	497,562,636.51	12.10
Financial expense	144,161,671.01	118,473,501.83	21.68
Other income	10,978,489.85	24,448,764.78	-55.10
Investment income	32,402,655.69	-123,820,055.10	Not applicable
Gain on change in fair value	-79,586,877.26	-423,444,863.37	Not applicable
Loss on impairment of credit	-16,832,835.84	-39,371,984.45	Not applicable
Loss on impairment of assets	-309,576,180.58	-677,141,653.24	Not applicable
Gain on disposal of assets	-78,454.75	-1,303,386.17	Not applicable
Non-operating income	2,294,399,430.83	553,503,531.77	314.52
Non-operating expenses	4,410,835.97	63,787,435.36	-93.09
Income tax expense	62,538,448.60	13,924,817.73	349.12
Net cash flows from operating activities	3,735,554,000.96	-1,544,910,134.23	Not applicable
Net cash flows from investing activities	-2,784,697,591.89	-1,792,361,694.28	Not applicable
Net cash flows from financing activities	1,191,037,144.89	180,100,901.84	561.32

Note: Pursuant to Circular on the Format of Financial Statements of General Enterprises for 2019 (Cai Hui [2019] No. 6) published by the Ministry of Finance in April 2019, losses incurred under "loss on impairment of credit" and "loss on impairment of assets" are indicated as "-".

Changes of items in income statement and explanation

Unit: Ten Thousand Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change	Description
Selling expense	13,693.42	8,625.52	5,067.90	58.75	Increase in the provision for ship maintenance made as income increased, the number of ships with the expiry of maintenance period decreased, the balance of maintenance fee decreased accordingly during the Reporting Period;
Other income	1,097.85	2,444.88	-1,347.03	-55.10	Decrease in government grants received for this item during the Reporting Period;
Investment income	3,240.27	-12,382.01	15,622.28	Not applicable	Decrease in loss of disposal of financial derivatives during the Reporting Period;
Gain on change in fair value	-7,958.69	-42,344.49	34,385.80	Not applicable	The significant decrease in the book floating losses in financial derivatives during the Reporting Period as a result of the fluctuations in exchange rates;
Loss on impairment of credit	-1,683.28	-3,937.20	2,253.92	Not applicable	Decrease in provision for impairment of during the Reporting Period;
Loss on impairment of assets	-30,957.62	-67,714.17	36,756.55	Not applicable	Decrease in provision for contract performance cost impairment of assets related to contract cost stock price during the Reporting Period;
Gain on disposal of assets	-7.85	-130.34	122.49	Not applicable	Decrease in loss on disposal of fixed assets during the Reporting Period;
Non-operating income	229,439.94	55,350.35	174,089.59	314.52	GSI recognised a net gain for land storage compensation of RMB1.279 billion during the Reporting Period; Wenchong Dockyard recognised a net gain for phase I of the land relocation compensation of RMB999 million; GSI recognised a net gain for relocating compensation of RMB538 million last year;
Non-operating expenses	441.08	6,378.74	-5,937.66	-93.09	Huangpu Wenchong recognised a loss of the contract of RMB57,000,000 for the arbitration settlement of contract dispute for the previous year;
Income tax expense	6,253.84	1,392.48	4,861.36	349.12	Increase in the deferred income tax expenses during the Reporting Period.

Changes of items in cash flow statement and explanation

Unit: Ten Thousand Yuan Currency: RMB

Item	Current year	Last year	Change	Percentage of change	Description
Net cash flows from operating activities	373,555.40	-154,491.01	528,046.41	Not applicable	The cash flow from operating activities during the Reporting Period successfully "turned positive", mainly due to the significant increase in the receipts of special vessels and other products during the Reporting Period;
Net cash flows from investing activities	-278,469.76	-179,236.17	-99,233.59	Not applicable	Increase in net amount from release of exchange on fixed deposit during the Reporting Period;
Net cash flows from financing activities	119,103.71	18,010.09	101,093.62	561.32	Increase in net external borrowing during the Reporting Period.

ANALYTICAL STATEMENT OF ASSETS AND LIABILITIES

Unit: Yuan Currency: RMB

Item	Amount at the end of current year	Proportion of total assets at the end of current year (%)	Amount at the end of last year	Proportion of total assets at the end of last year (%)	Change in amount at the end of current period compared with that at the end of last year (%)	Description
Cash in bank and on hand	14,317,366,099.93	27.37	10,337,887,158.50	21.78	38.49	Product receipts increased during the year
Financial assets held for trading	48,785,784.80	0.09	11,685,155.01	0.02	317.50	The impact of change of exchange rates on the fair value of foreign exchange forward contracts
Notes receivable	633,564,863.60	1.21	130,810,712.06	0.28	384.34	Increase in bank acceptance bills that have not yet expired at the end of the year
Other receivables	1,822,048,699.16	3.48	326,086,350.28	0.69	458.76	Compensation receivables recognized by subsidiaries for land acquisition, storage and relocation totaling RMB1.399 billion during the year
Non-current assets due within one year	692,000,000	1.32	463,415,968.00	0.98	49.33	Combined effects of the increase in the long-term receivables due within one year and decrease in entrusted wealth management products

Item	Amount at the end of current year	Proportion of total assets at the end of current year (%)	Amount at the end of last year	Proportion of total assets at the end of last year (%)	Change in amount at the end of current period compared with that at the end of last year (%)	Description
Long-term receivables	2,703,137,274.56	5.17	1,976,516,046.20	4.16	36.76	Increase in long-term receivables arising from the sale of products with financing nature in the form of deferral
Construction in progress	1,181,944,326.01	2.26	762,567,676.87	1.61	55.00	The impact of the increase in investment in fixed assets during the year
Right-of-use assets	149,351,363.01	0.29	–	–	N/A	The impact of the new standard on lease during the year
Short-term borrowings	6,147,082,148.56	11.75	4,304,387,255.88	9.07	42.81	New short-term borrowings during the year
Financial liabilities held for trading	221,737,672.75	0.42	431,894,056.78	0.91	-48.66	The impact of change of exchange rates on the fair value of foreign exchange forward contracts
Taxes payable	72,234,563.79	0.14	48,140,024.18	0.10	50.05	Increase in balance of Value-Added Tax payable and individual income tax as at the end of the year
Non-current liabilities due within one year	2,281,928,067.24	4.36	4,414,000,000.00	9.30	-48.30	Decrease in long-term borrowings due within one year
Other current liabilities	63,237,341.88	0.12	182,190,818.20	0.38	-65.29	Decrease in sales tax to be transferred and advances from customers for shipbuilding orders cancelled at the end of the year
Long term borrowings	6,049,757,000.00	11.57	4,339,619,500.00	9.14	39.41	New long-term borrowings during the year
Leased liabilities	110,198,081.37	0.21	–	–	N/A	The impact of the new standard on lease during the year
Deferred revenue	150,307,309.25	0.29	59,916,128.16	0.13	150.86	Increase in government grants to compensate for related costs or losses in subsequent periods at the end of the year
Special reserve	443,910.04	0.00	1,226,639.50	0.00	-63.81	Decrease in the balance of provision for production safety fee made at the end of the year

Information on principal businesses by product

Unit: Yuan Currency: RMB

Principal businesses by industry						
By Industry	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Shipbuilding industry	21,581,588,577.17	20,791,601,441.28	3.66	13.57	8.57	Increase of 4.43 percentage points
Principal businesses by product						
By product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
(I) Shipbuilding products	16,480,667,808.06	16,217,877,959.85	1.59	9.33	6.62	Increase of 2.50percentage points
1. Bulk carriers	580,491,099.01	556,833,606.51	4.08	-30.77	-30.64	Decrease of 0.18 percentage points
2. Oil tankers	4,619,845,280.11	5,001,816,567.33	-8.27	58.53	61.16	Decrease of 1.77 percentage points
3. Containerships	2,743,315,554.12	2,813,914,430.32	-2.57	40.83	51.07	Decrease of 6.96 percentage points
4. Special ships and others	8,537,015,874.82	7,845,313,355.69	8.10	-8.93	-16.91	Increase of 8.83 percentage points
(II) Offshore engineering products	1,321,234,115.03	1,216,369,388.52	7.94	-7.72	-23.26	Increase of 18.65 percentage points
(III) Maintenance and modification on ships	1,042,288,419.71	859,722,405.80	17.52	14.80	8.56	Increase of 4.74 percentage points
(IV) Steel structure engineering	2,011,736,461.38	1,791,605,611.67	10.94	177.54	163.62	Increase of 4.70 percentage points
(V) Electromechanical products and others	725,661,772.99	706,026,075.44	2.71	-15.97	-19.92	Increase of 4.79 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)	13,280,308,241.32	12,287,244,136.23	7.48	17.17	8.55	Increase of 7.34 percentage points
Other regions in Asia	1,668,033,894.64	1,749,484,608.75	-4.88	160.79	181.84	Decrease of 7.83 percentage points
Europe	3,089,923,709.17	3,326,534,606.42	-7.66	-21.68	-20.72	Decrease of 1.29 percentage points
Oceania	983,088,477.79	999,832,979.60	-1.70	43.95	45.79	Decrease of 1.28 percentage points
North America	438,904,472.85	376,329,160.35	14.26	-67.53	-69.90	Increase of 6.75 percentage points
Africa	2,086,041,744.97	2,025,562,650.57	2.90	134.26	119.03	Increase of 6.75 percentage points
South America	35,288,036.43	26,613,299.36	24.58	-77.68	-82.54	Increase of 20.98 percentage points

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

During the Reporting Period, the Group's income from its principal business amounted to RMB21.582 billion, representing a year-on-year increase of 13.57%. Except offshore engineering, electro-mechanical products and others representing a year-on-year decrease of 7.72% and 15.97%, shipbuilding, maintenance and modification on ships, and steel structure engineering represented a year-on-year increase of 9.33%, 14.8%, and 177.54% respectively. The gross profit of principal business amounted to RMB790 million, and gross profit margin amounted to 3.66%, representing a year-on-year increase of 4.43%. A year-on-year increase in gross profits was recorded in all businesses, among them, the gross profit margin of shipbuilding products increased by 2.5 percentage points, mainly contributed by special ships and others, while the gross profits of bulk carriers, oil tankers, and containerships have all decreased. The gross profit of offshore engineering products increased by 18.65 percentage points, mainly due to wind power platforms of relatively higher gross profit having achieved sales in this year; the gross profit of products of maintenance and modification on ships, steel structure engineering, electromechanical products and others increased by 4.74 percentage points, 4.7 percentage points, and 4.79 percentage points respectively.

As for the structure of products, the percentage of income from the marine business remained stable at above 80% in recent years. During the Reporting Period, the percentage of income from marine business slightly decreased compared with that of last year as the percentage of income from steel structure engineering increased. During the Reporting Period, the marine business contributed 82.49% of income, representing a year-on-year decrease of 4.38 percentage points, among them, shipbuilding contributed 76.36% of income, representing a year-on-year decrease of 2.96 percentage points, and offshore engineering contributed 6.12% of income, representing a year-on-year decrease of 1.41 percentage point; steel structure engineering contributed 9.32% of income, representing a year-on-year increase of 5.51 percentage points; the percentage of income from maintenance and modification on ships, electro-mechanical products and others remained substantially consistent with last year.

1) ***Shipbuilding business***

Income from the shipbuilding business amounted to RMB16.481 billion, representing a year-on-year increase of 9.33%. The main reason for the year-on-year change in income was the commencement of new secured orders and the gradual elimination of the impact of relocation of the controlling subsidiary. The production and materials lines have gradually become balanced and the shipbuilding output has increased year-on-year.

2) ***Offshore engineering business***

Income from the offshore engineering business amounted to RMB1.321 billion, representing a year-on-year decrease of 7.72%. The main reason for the year-on-year change in income was the fact that the offshore engineering product output has decreased substantially year-on-year as affected by the global offshore engineering equipment market, and the overall impact of some offshore engineering platforms, of which the income was recognized at a point in time, achieved an increase in income from delivery.

3) ***Maintenance and modification on ships***

Income from the business of maintenance and modification on ships amounted to RMB1.043 billion, representing a year-on-year increase of 14.80%, mainly due to the significant growth of the Group's scrubber business resulted from ship scrubber modification market's strong demand for ship scrubbers, and the record high achieved in military ship repair business by supplementing and improving the full life support model.

4) ***Steel structure engineering business***

Income from steel structure engineering business amounted to RMB2.012 billion, representing a year-on-year increase of 177.54%. The main reason for the year-on-year change in income was the higher growth rate in output value with the full commencement of the Shenzhen-Zhongshan Channel project during the Reporting Period, and the gradual release of production capacity due to the gradual elimination of the impact of relocation of Yonglian Company (a subsidiary of GSI).

5) ***Electro-mechanical products and other business***

Income from electromechanical products and other businesses amounted to RMB726 million, representing a year-on-year decrease of 15.97%, mainly because of the adjustments of product structure during the Reporting Period, and the decrease in sales of some electromechanical products such as shearing press resulted from market factors.

By geographic region, operating income from China (including Hong Kong, Macau and Taiwan) increased by 17.17% and operating income from overseas markets increased by 8.26% compared with last year. The Group will actively respond to adverse effects arising from the intensifying competition in the shipbuilding industry and the decrease in the price of new ships. The Company will make use of its own strengths, take active initiatives, resolutely perform the main responsibility of "improving military products", strictly follow the orders of military products, strengthen the operation and management of civil products, and vigorously develop domestic and overseas markets.

COST ANALYSIS BY PRODUCT

Unit: RMB in ten thousand

By industry							
By industry	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount for the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description Explanation
Shipbuilding Industry	Direct materials	1,400,268.94	67.35	1,209,363.10	63.15	15.79	
	Processing costs	719,501.28	34.61	735,522.66	38.41	-2.18	
	Impairment loss	-40,610.08	-1.95	-29,925.74	-1.56	35.70	Note 1

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
Shipbuilding products	Direct materials	1,144,532.48	55.05	981,354.33	51.25	16.63	
	Processing costs	512,246.93	24.64	562,687.43	29.38	-8.96	
	Impairment loss	-34,991.62	-1.68	-22,908.57	-1.20	52.74	Note 1
Offshore engineering products	Direct materials	82,251.80	3.96	113,506.95	5.93	-27.54	
	Processing costs	44,702.86	2.15	51,763.24	2.70	-13.64	
	Impairment loss	-5,317.72	-0.26	-6,762.43	-0.35	-21.36	
Maintenance and modification on ships	Direct materials	19,773.61	0.95	18,880.52	0.99	4.73	
	Processing costs	66,198.63	3.18	60,314.51	3.15	9.76	
	Impairment loss	–	–	–	–		
Steel structure engineering	Direct materials	122,427.74	5.89	40,202.98	2.10	204.52	Note 2
	Processing costs	57,033.57	2.74	27,759.40	1.45	105.46	Note 2
	Impairment loss	-300.74	-0.01	–	–		
Electromechanical products and others	Direct materials	31,283.31	1.50	55,418.32	2.89	-43.55	Note 3
	Processing costs	39,319.29	1.89	32,998.08	1.72	19.16	
	Impairment loss	–	–	-254.74	-0.01	-100.00	

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

Note 1: "Impairment loss" was negative as the provision for impairment of assets previously made was reversed to offset the cost of principal business upon recognition of gross profit when the progress of shipbuilding under long-term performing contracts based on the fulfilment of obligations over time 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 RMB406,100,800 during the Reporting Period, representing a year-on-year increase of RMB106,843,400, mainly due to the year-on-year increase 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 direct material cost of steel structure engineering was RMB1,224,277,400, representing a year-on-year increase of 204.52%; processing cost incurred was RMB570,335,700, representing a year-on-year increase of 105.46% mainly due to the facts that, on one hand, the increase in output value of this segment during the Reporting Period, income increased by 177.54% 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.

Note 3: During the Reporting Period, the direct material cost of Electromechanical products and others was RMB312,833,100, representing a year-on-year decrease of 43.55%, mainly due to the decrease in the sales of products in this segment, income decreased by 15.97% year-on-year, and cost of materials consumed decreased accordingly. Processing cost accounted for a large portion of cost during the Reporting Period as a result of the difference in product structure during the Reporting Period.

RESEARCH AND DEVELOPMENT EXPENSES

Unit: RMB Yuan

Research and development expenses recorded as expenses during the period	652,325,376.11
Total research and development expenses	652,325,376.11
Percentage of total research and development expenses over operating income (%)	2.99
Number of research and development staff (person)	2,612
Number of research and development staff over total number of staff (%)	16.99

Note: During the Reporting Period, the total research and development expenses of the Group, all being recorded as expenses, amounted to RMB652.3254 million, of which RMB557.7822 million was allocated to research and development and RMB94.5432 million was to offset the costs.

Description: In 2019, the Group continued to promote the development and technical research of new energy-saving and environmentally-friendly ship types, and high-tech and high value-added ship types, strengthened product research and development, and continuously improved the technological standards, and 116 invention patents were granted during the year. Research and design were conducted in MR tanker optimization and upgrade, medium-sized luxury cruise ships, deep-sea aquaculture vessels, passenger-rolling vessels, polar transport vessels, and ice-breaking investigation vessels to match with various national policies for facilitating development of the shipbuilding industry. The "Green Pearl River, Prosperous Pearl River" technological project, hydrogen fuel ship demonstration ship, multifunctional intelligent unmanned boat and other projects were major projects with progress.

EXTERNAL EQUITY INVESTMENT

As at the end of the Reporting Period, the balance of the Group's long-term equity investments amounted to RMB753,695,000, which was mainly for investment in joint ventures, and representing an increase of 1.72% compared with the beginning of the year.

On 12 September 2019, GSI established its 100% owned Guangzhou Wenchong Dockyard Co., Ltd., which was registered in Nansha District, Guangzhou City, Guangdong Province, with a registered capital of RMB100 million and all from self-funding. The business scope was mainly railway, shipbuilding, aviation aerospace and other transportation equipment manufacturing.

On 18 November 2019, the Company transferred its 60% equity interest in Southern Environment to GSI by way of non-public agreement at a consideration of RMB47,831,683; on 30 December, GSI purchased 35% equity interests in Southern Environment held by Guanggong Company through the equity exchange market at a consideration of RMB27,901,815. As at the end of the Reporting Period, GSI held 95% equity interest of Southern Environment in total.

SIGNIFICANT ISSUES

1、 Leasing

Unit: RMB in ten thousand Currency: RMB

Lessor Name	Lessee Name	Leased assets	Leased assets involved in the amount	Date of commencement of lease	Date of expiry of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not	Relationship
Guangzhou Ship Industrial Company Limited	Huangpu Wenchong	Land, buildings and structures	–	2014.5.1	The date on which the relocation is completed and production commences at the new plant	–	–	–	Yes	Sister company of the Group
Guangzhou Wenchong Industrial Co. Ltd.	Wenchong Shipyard	Land, buildings and structures	–	2014.5.1	The date on which the relocation is completed and production commences at the new plant	–	–	–	Yes	Sister company of the Group

Description of leases

Guangzhou Ship Industrial Company Limited and Huangpu Wenchong entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Company shall lease its land use rights in relation to part of the land at the Changzhou Plant to Huangpu Wenchong for operational usage. The rent for the land use rights shall be determined based on the principle of asset depreciation, and amortisation of taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use rights commenced on 1 May 2014 and will end on the date on which the relocation of Huangpu Wenchong is completed and commences formal production at its new plant.

Guangzhou Wenchong Industrial Co., Ltd. and Guangzhou Wenchong Shipyard Company Limited ("Wenchong Shipyard") entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Company shall lease its land use rights in relation to part of the land at the Wenchong Plant to Wenchong Shipyard for operational usage. The rent for the land use rights shall be determined based on the principle of asset depreciation, and amortisation of taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term for the aforesaid lease of land use rights commenced on 1 November 2018 and will end on the date on which the relocation of Wenchong Shipyard is completed and commences formal production at its new plant.

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	2,320,000,000.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	1,820,000,000.00
Total amount of guarantees	1,820,000,000.00
Total amount of guarantees as a percentage of the Company's net assets (%)	11.71
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70%	20,000,000.00
Note on guarantees	During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB1.82 billion, most of them were guarantees provided by the Company to its subsidiary GSI and guarantees provided by the Company's subsidiary Huangpu Wenchong to its subsidiary Wenchong Shipyard and Wenchuan Industrial. The guarantee projects were financing project guarantees. The cap set out in the framework for the proposed guarantees between the Company and its subsidiaries for the year 2019 was passed at the 2018 AGM and their amounts has not been exceeded.

CAPITAL LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group had long-term borrowings of RMB6.05 billion, cash and cash equivalents prepared under the PRC Accounting Standards for Business Enterprises amounted to RMB10.683 billion.

CHARGES ON GROUP ASSETS

As at 31 December 2019, the Group had no fixed assets pledged for bank financing.

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities.

GEARING RATIO

As at 31 December 2019, the Company's gearing ratio was 70.27%.

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, rewards, and other welfare programs regulated by the PRC government. Subject to the relevant PRC laws and regulations, the Company implements its salary system in accordance with employees' positions and performance, etc. The Company and its subsidiaries have formulated training plans for implementation in view of changes in strategic development, product structure and the needs of staff development. Through arranging all staff to participate in learning all sorts of business operations knowledge, the Company believes that the trainings will result in comprehensive improvement of employees' integrated quality and positional competence, which will provide effective protection of human resources for the Company's operation and development.

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 foreign shares	592,071,197	41.88	0	–	–	–	–	592,071,197	41.88
4、Others	–	–	–	–	–	–	–	–	–
II. Total number of ordinary shares	1,413,506,378	100	0	–	–	–	0	1,413,506,378	100

SHARE STRUCTURE

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

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

(2) There were no changes to 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, the relevant regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 of the PRC 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 has 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 confirmations 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 6 executive directors, 1 non-executive director and 4 independent non-executive directors. Members of the Board have different industry backgrounds and expertise in corporate governance, finance and accounting, investment strategies, maritime engineering and equipment and legal affairs. Details of the members of the Board will be set out in the section headed "Directors, supervisors, senior management and staff" in the 2019 annual report.

Audit Committee

The Audit Committee of the Company has reviewed and confirmed the annual financial report for the year 2019 of the Company.

OUTLOOK

1. Industry Landscape and Trend

(1) Challenges and opportunities will continue to exist, and the shipbuilding market is expected to recover. In 2020, under the macro circumstance of continuously complex international situations and increasing downward pressure on the domestic economy, the international shipping market is expected to maintain a mid-to-low growth rate, and the implementation of sulfur restriction order will accelerate the obsolescence of the outdated shipping companies. It is expected that the demand for new ships in the international shipbuilding market will recover, and the annual turnover will increase to approximately 75,000,000 DWT. From the perspective of transaction structure, in respect of bulk carrier, the market of Newcastlemax and andysize carrier will still be in demand; in respect of crude oil ship, the demand for VLCC and Suezmax will increase, and the product oil tanker market and chemical tanker market will recover; in respect of container ship, the polarization of orders by ship types will continue; in respect of liquefied gas vessel, the bulk orders of LNG carrier are expected to be released continuously, and the LPG carrier market will hold firm.

(2) The competition between the three main shipbuilding countries, namely China, Japan and Korea will intensify. In China, the competition with shipbuilding enterprises from Japan and Korea in mid-to-high-end types of ships will be more intense and direct; in respect of bulk carrier, the Chinese market share will increase due to the decline in production volume in Japan; in Korea, on the one hand, the three major shipbuilding enterprises will continue to focus on orders of high value-added ship types including liquefied gas vessel, super-large ship and VLCC; meanwhile, the Korean enterprises will continue to advance the industrial restructuring and strategic reorganization, strengthen the research and development of smart, green and key equipment system, and make effort to occupy the upperhand of international shipbuilding technology, on the other hand, the Korean government will continue to strengthen and intensify the policy support on shipbuilding industry through the issuance of "Strategy on Shipbuilding Industrial Development in Korea" (《韓國造船產業發展戰略》); in Japan, the Japanese government and enterprises have realized that the cooperation is the main way to stay competitive, and will further enhance cooperation between enterprises and industries in the future. It is expected that an increasing number of shipbuilding enterprises will cooperate with each other and form partnership with capital as the link and the government will provide financial support and encourage shipbuilding enterprises and upstream and downstream firms to enhance cooperation for the purpose of optimizing the industry chain.

(3) National policy will provide new opportunities for development. In recent years, from the perspective of shipbuilding industrial development and regional development, the Chinese government has made various policies for guiding and adjusting Chinese shipbuilding industrial development, and improving the technological level of Chinese shipbuilding industry and international competition. In respect of industrial development planning, NDRC and Ministry of Commerce issued the "Special Management Measures for Foreign Investment Access (Negative List)" (《外商投資准入特別管理措施(負面清單)》) and the "Special Management Measures for Market Entry of Foreign Investment in Pilot Free Trade Zones (Negative List)" (《自由貿易試驗區外商投資准入特別管理措施(負面清單)》); in respect of regional development planning, the Central Committee of the Communist Party of China ("CCCPC") and State Council published the "Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》), providing development opportunities for the shipbuilding industry in innovation of integrated development of military, new marine industry, green energy development and modern cruise and yacht service.

2. Development Strategies of the Company

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

In the face of the New Normal development of the ship market, the Group, by adhering to its corporate values of " innovation, efficiency and win-win cooperation", will fully implement the major strategies of the Belt and Road Initiative, military-civilian integration, and building strong manufacturing power and marine power. With "optimising structure, deepening reform and innovative development" as the main theme, the Group will further strengthen its core activities, while vigorously developing emerging industries, accelerating transformation and upgrading to realize high-quality development.

DEVELOPMENT ON THE JOINT RESTRUCTURING OF CHINA STATE SHIPBUILDING CORPORATION LIMITED AND CHINA SHIPBUILDING INDUSTRY CORPORATION

As disclosed in the announcement of the Company dated 25 October 2019, on 25 October 2019, the Company received a letter from China State Shipbuilding Corporation Limited (hereinafter referred to as "CSSC") stating that CSSC had received a "Notice regarding the restructuring of CSSC and CSIC" (Guo Zi Fa Ge [2019] No.100) (《關於中國船舶工業集團有限公司和中國船舶重工集團有限公司重組的通知》(國資改革(2019)100號) issued by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), the restructuring of CSSC and China Shipbuilding Industry Corporation ("CSIC") has been implemented in October 2019. In October 2019, the SASAC has also issued the "Announcement regarding the approval of the restructuring of CSSC and CSIC" (《關於中國船舶工業集團有限公司和中國船舶重工集團有限公司聯合重組獲得批准的公告》). Upon approval by the SASAC, it was agreed that CSSC will perform joint restructuring with CSIC to newly set up China State Shipbuilding Corporation Limited* (中國船舶集團有限公司) ("China Shipbuilding Group"). The SASAC shall perform the duties of the contributor on behalf of the State Council, and CSSC and CSIC will be integrated into China Shipbuilding Group. In November 2019, China Shipbuilding Group was established and completed the registration formalities at the State Administration for Industry and Commerce of the PRC. As disclosed in the announcement of the Company dated 25 October 2019, upon the restructuring, the controlling shareholder and de facto controller of the Company will remain unchanged. On 8 November 2019, members of the boards of directors, supervisors and senior management of the China Shipbuilding Group were appointed and members of the boards of directors, supervisors and senior management of each of CSSC, CSIC and China Shipbuilding Group remained the same. The ultimate beneficial owner of China Shipbuilding Group is the SASAC as at the date of this announcement. As at the date of this announcement, the restructuring is still on-going and the transfer of shares of CSSC from the SASAC to China Shipbuilding Group and the transfer of shares of CSIC from the SASAC to China Shipbuilding Group have not been completed. As such, immediately after the restructuring, the China Shipbuilding Group will hold 100% of the issued shares of CSSC and 100% of the issued shares of CSIC, and CSSC will hold 59.97% of the issued shares of the Company. Hence, China Shipbuilding Group will become a substantial shareholder and a connected person of the Group and the transactions between the China Shipbuilding Group and the Group will become continuing connected transactions immediately after the restructuring.

BUSINESS PLAN FOR 2020

In 2019, the Group recorded an operating income of RMB21.829 billion, outperforming by 1.06% of the annual target; and secured orders with contract value of RMB31.946 billion, outperforming by 10.16% of the annual target.

In 2020, the Group plans to realize operating income of RMB11.823 billion and to secure orders with contract value of RMB13.92 billion, the reason for such significant difference between this target and the business plan in 2019 is the change of control in GSI, which will not be included in the scope of consolidation of the Company.

The business objectives above do not represent the profit forecast of the Group for 2020, nor do they constitute undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investment risks.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement has been published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company's website (comec.cssc.net.cn). The Company's annual report for the year ended 31 December 2019 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 2019 (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 website of the Company (comec.cssc.net.cn) on 27 March 2020 and its versions in Traditional Chinese and English will be published on the website of the Stock Exchange (www.hkex.com.hk) in due course.

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 and contributions to the Company's development.

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

Guangzhou, 27 March 2020

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. Sheng Jigang, Mr. Xiang Huiming and Mr. Chen Ji, non-executive director Mr. Shi Jun and independent non-executive directors Mr. Wang Yichu, Mr. Min Weiguo, Mr. Liu Renhuai and Mr. Yu Shiyou.

(Amounts denominated in Renminbi unless otherwise specified)

CONSOLIDATED BALANCE SHEET

31 December 2019

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

Item	2019-12-31	2019-1-1
Current assets:		
Cash at bank and on hand	14,317,366,099.93	10,337,887,158.50
Financial assets held for trading	48,785,784.80	11,685,155.01
Derivative financial assets		
Notes receivable	633,564,863.60	130,810,712.06
Accounts receivable	2,350,380,440.10	2,562,295,160.42
Receivable financing		
Prepayments	2,339,261,199.21	3,020,857,780.23
Other receivables	1,822,048,699.16	326,086,350.28
Inventories	4,344,806,992.50	4,955,993,857.79
Contract assets	6,336,385,363.12	6,860,770,802.28
Assets held for sale		
Non-current assets due within one year	692,000,000.00	463,415,968.00
Other current assets	350,850,895.77	365,378,116.05
Total current assets	**33,235,450,338.19**	**29,035,181,060.62**
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables	2,703,137,274.56	1,976,516,046.20
Long-term equity investments	753,695,038.72	740,935,298.11
Other equity instrument investments	71,248,734.49	63,403,225.93
Other non-current financial assets		
Investment properties	20,993,939.36	21,622,651.52
Fixed assets	11,439,928,689.69	12,046,436,020.38
Construction in progress	1,181,944,326.01	762,567,676.87
Productive biological assets		
Oil and gas assets		
Right-of-use asset	149,351,363.01	199,340,500.82
Intangible assets	2,072,573,536.99	2,084,830,278.97
Development expenses		
Goodwill	144,231,195.67	144,231,195.67
Long-term prepaid expenses	75,592,524.66	79,285,603.23
Deferred tax assets	377,902,704.29	440,083,496.90
Other non-current assets	78,019,489.34	80,251,531.97
Total non-current assets	**19,068,618,816.79**	**18,639,503,526.57**
Total assets	**52,304,069,154.98**	**47,674,684,587.19**

Legal representative: Han Guangde | Person in charge of accounting: HouZengquan | Head of accounting department: XieWeihong

Item	2019-12-31	2019-1-1
Current liabilities:		
Short-term borrowings	6,147,082,148.56	4,304,387,255.88
Financial liabilities held for trading	221,737,672.75	431,894,056.78
Derivative financial liabilities		
Notes payable	3,063,415,001.67	2,730,396,298.20
Accounts payable	8,687,397,898.75	7,958,832,249.26
Advances from customers		
Contract liabilities	8,488,146,386.62	7,112,391,961.78
Employee benefits payable	40,446,901.64	41,351,166.51
Taxes payable	72,234,563.79	48,140,024.18
Other payables	344,881,770.61	336,922,424.57
Liabilities held for sale		
Non-current liabilities due within one year	2,281,928,067.24	4,461,169,400.36
Other current liabilities	63,237,341.88	182,190,818.20
Total current liabilities	**29,410,507,753.51**	**27,607,675,655.72**
Non-current liabilities:		
Long-term borrowings	6,049,757,000.00	4,339,619,500.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	110,198,081.27	152,171,100.46
Long-term payables	101,816,823.07	99,370,000.00
Long-term employee benefits payable	229,389,012.33	248,554,297.66
Estimated liabilities	694,854,560.21	802,016,709.10
Deferred income	150,307,309.25	59,916,128.16
Deferred tax liabilities	9,514,927.47	8,950,648.02
Other non-current liabilities		
Total non-current liabilities	**7,345,837,713.60**	**5,710,598,383.40**
Total liabilities	**36,756,345,467.11**	**33,318,274,039.12**
Owners' equity:		
Owners' equity:	1,413,506,378.00	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	9,418,941,779.55	9,549,580,748.34
Less: Treasury shares		
Other comprehensive income	-41,694,917.30	-45,615,426.57
Special reserve	443,910.04	1,226,639.50
Surplus reserve	962,452,773.01	962,441,825.31
Provision for general risks		
Undistributed profit	-1,605,393,084.53	-2,153,702,475.37
Total equity attributable to shareholders of the Company	**10,148,256,838.77**	**9,727,437,689.21**
Minority interests	5,399,466,849.10	4,628,972,858.86
Total equity	**15,547,723,687.87**	**14,356,410,548.07**
Total liabilities and equity	**52,304,069,154.98**	**47,674,684,587.19**

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

BALANCE SHEET OF THE COMPANY

31 December 2019

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

Item	2019-12-31	2019-1-1
Current assets:		
Cash at bank and on hand	113,638,189.16	99,371,121.05
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable	40,084,782.69	46,428,670.20
Prepayments	6,585,840.89	2,100,230.64
Other receivables	8,852,312.88	9,520,031.06
Inventories	78,044,136.16	98,897,393.27
Contract assets		
Assets held for sale		
Non-current assets due within one year	270,000,000.00	–
Other current assets	244,609,360.00	761,163,163.71
Total current assets	**761,814,621.78**	**1,017,480,609.93**
Non-current assets:		
Debt investments		
Held-to-maturity financial assets		
Other debt investments		
Long-term receivables	600,000,000.00	
Long-term equity investments	7,873,786,253.99	7,921,435,986.83
Other equity instrument investments		
Other non-current financial assets		
Investment properties		
Fixed assets	447,436,065.79	70,839,970.49
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use asset	1,896,234.13	–
Intangible assets	10,161,107.29	10,468,726.74
Development expenses		
Goodwil		
Long-term prepaid expenses	720,906.87	–
Deferred tax assets	20,000,000.00	20,000,000.00
Other non-current assets	436,902,001.36	633,860,105.78
Total non-current assets	**9,390,902,569.43**	**8,656,604,789.84**
Total assets	**10,152,717,191.21**	**9,674,085,399.77**

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

BALANCE SHEET OF THE COMPANY (CONTINUED)

31 December 2019

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

Item	2019-12-31	2019-1-1
Current liabilities:		
Short-term borrowings	200,000,000.00	650,000,000.00
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	179,911,996.18	58,845,591.58
Advances from customers		
Contract liabilities	59,818,924.73	65,497,566.97
Employee benefits payable		
Taxes payable	2,802,092.60	3,217,292.29
Other payables	53,596,763.60	41,994,848.71
Liabilities held for sale		
Non-current liabilities due within one year	200,898,274.92	
Other current liabilities	30,817.60	77,418.16
Total current liabilities	**697,058,869.63**	**819,632,717.71**
Non-current liabilities:		
Long-term borrowings	600,000,000.00	
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	1,096,162.49	
Long-term payables	99,370,000.00	99,370,000.00
Estimated liabilities		
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**700,466,162.49**	**99,370,000.00**
Total liabilities	**1,397,525,032.12**	**919,002,717.71**
Owners' equity:		
Owners' equity:	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	472,681,889.15	472,670,941.45
Undistributed profit	721,076,162.84	720,977,633.51
Total equity	**8,755,192,159.09**	**8,755,082,682.06**
Total liabilities and equity	**10,152,717,191.21**	**9,674,085,399.77**

Legal representative: Han Guangde

Person in charge of accounting: HouZengquan

Head of accounting department: XieWeihong

CONSOLIDATED INCOME STATEMENT

2019

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

Item	**2019**	**2018**
I. Operating income	**21,829,002,963.77**	**19,213,596,394.03**
Less: Operating cost	20,959,294,954.13	19,262,469,746.28
Taxes and surcharges	66,082,026.09	65,299,430.11
Selling expense	136,934,171.32	86,255,214.60
Administrative expense	900,958,609.80	892,844,116.09
Research and development expense	557,782,189.67	497,562,636.51
Finance cost	144,161,671.01	118,473,501.83
Including: Interest expense	364,243,854.91	370,303,935.69
Interest income	229,368,563.22	235,693,676.79
Loss on impairment of assets	-309,576,180.58	-677,141,653.24
Loss on impairment of credit	-16,832,835.84	-39,371,984.45
Add: Other income	10,978,489.85	24,448,764.78
Investment income (loss expressed with “-”)	32,402,655.69	-123,820,055.10
Including: Income from investments inassociates and joint ventures	11,830,229.89	-8,308,324.83
Gains on net exposure hedges (loss expressed with “-”)		
Gains from changes of fair value (loss expressed with “-”)	-79,586,877.26	-423,444,863.37
Gain on disposal of assets (loss expressed with “-”)	-78,454.75	-1,303,386.17
II. Operating profit (loss expressed with “–”)	-1,298,903,861.14	-2,949,941,428.94
Add: Non-operating income	2,294,399,430.83	553,503,531.77
Less: Non-operating expenses	4,410,835.97	63,787,435.36
III. Total profit (loss expressed with “-”)	991,084,733.72	-2,460,225,332.53
Less: Income tax expense	62,538,448.60	13,924,817.73
IV. Net profit (net loss expressed with “-”)	928,546,285.12	-2,474,150,150.26
(I) According to operation continuity		
1. Net profit attributable to continuing operations(net loss expressed with “-”)	928,546,285.12	-2,474,150,150.26
2. Net profit attributable to discontinued operations(net loss expressed with “-”)		
(II) According to ownership		
1. Net profit attributable to shareholders of the company	548,320,338.54	-1,869,014,160.08
2. Minority interest income or loss	380,225,946.58	-605,135,990.18

Item	2019	2018
V. Net amount of other comprehensive income after tax	5,901,365.91	-740,992.56
Net amount of other comprehensive income after tax attributable to owners of the Company	3,920,509.27	-2,864,091.79
(I) Other comprehensive income not to be reclassified into profit or loss	3,577,517.41	-1,421,831.33
1. Changes of the re-measurement of defined benefit plans	-4,538,169.27	
2. Share of other comprehensive income of investee that may not be subsequently reclassified to profit and loss under equity method		
3. Change in fair value of other equity instruments investment	8,115,686.68	-1,421,831.33
4. Change in fair value of credit risks of the Company		
(II) Other comprehensive income to be reclassified into profit or loss	342,991.86	-1,442,260.46
1. Other comprehensive income to be reclassified into profit or loss under equity method		
2. Change in fair value of other debt investment		
3. Gain or loss on change in fair value of availablefor-sale financial assets		
4. Financial assets reclassified into other comprehensive income		
5. Provision of credit impairment of other debt investment		
6. Cash flows hedging reserve		
7. Exchange differences arising from translation of foreign currency financial statements	342,991.86	-1,442,260.46
Net other comprehensive income after tax attributable to minority interests	1,980,856.64	2,123,099.23
VI. Total comprehensive income	934,447,651.03	-2,474,891,142.82
Total comprehensive income attributable to owners of the Company	552,240,847.81	-1,871,878,251.87
Total comprehensive income attributable to minority interests	382,206,803.22	-603,012,890.95
VII. Earnings per share:		–
(i) Basic earnings per share	0.3879	-1.3223
(ii) Diluted earnings per share	0.3879	-1.3223

Legal representative: Han Guangde

Person in charge of accounting: HouZengquan

Head of accounting department: XieWeihong

INCOME STATEMENT OF THE COMPANY

2019

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

Item	2019	2018
I. Operating income	178,594,000.74	207,969,649.39
Less: Operating costs	168,432,508.85	221,503,003.20
Taxes and surcharges	3,086,392.39	2,112,282.31
Selling expense	2,303,908.23	3,724,331.10
Administrative expense	33,054,870.36	21,819,871.85
Research and development expense		625,000.00
Finance cost	-27,870,266.44	-26,863,462.00
Including: Interest expense	25,944,447.57	10,735,743.06
Interest income	53,806,498.36	38,396,447.96
Loss on impairment of assets		3,340,528.00
Loss on impairment of credit	-413,741.54	-1,660,722.40
Add: Other income	158,972.40	114,028.44
Investment income (loss expressed with "-")	268,645.02	-10,099,639.37
Including: Income from investments in associates and joint ventures	2,838,844.99	-10,099,639.37
Gains on net exposure hedges (loss expressed with "-")		
Gains from changes of fair value (loss expressed with "-")		
Gain on disposal of assets (loss expressed with "-")	171,396.31	
II. Operating profit (Loss expressed with "-")	-228,140.46	-23,257,182.40
Add: Non-operating income	937,754.03	23,927.58
Less: Non-operating expenses	600,136.54	80,038.05
III. Total profit (loss expressed with "-")	109,477.03	-23,313,292.87
Less: Income tax expense	–	–
IV. Net profit (Net loss expressed with "-")	109,477.03	-23,313,292.87
(I). Net profit attributable to continuing operations(net loss expressed with "-")	109,477.03	-23,313,292.87
(II). Net profit attributable to discontinued operations(net loss expressed with "-")		

Item	2019	2018
V. Net other comprehensive income after tax		
Net other comprehensive income after tax attributable to owners of the company		
(I) Other comprehensive income not to be reclassified into profit or loss		
1. Changes of 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		
3. Changes in fair value of other equity instruments investment		
4. Change in fair value of credit risks of the Company		
(II) Other comprehensive income to be reclassified to profit or loss		
1. Other comprehensive income to be classified into profit or loss under equity method		
2. Change in fair value of other debt investment		
3. Financial assets reclassified into other comprehensive income		
4. Provision of credit impairment of other debt		
5. Cash flows hedging reserve		
6. Exchange differences arising from translation of foreign currency financial statements		
Net amount of other comprehensive income after tax attributable to minority shareholders		
VI. Total comprehensive income	109,477.03	-23,313,292.87
VII. Earnings per share		—
(i) Basic earnings per share		
(ii) Diluted earnings per share		

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

CONSOLIDATED CASH FLOW STATEMENT
2019

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

Item	2019	2018
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	22,690,616,089.82	16,923,312,942.46
Cash received from tax refund	1,077,425,452.52	2,342,160,714.55
Other cash receipts relating to operating activities	2,592,935,993.75	621,756,406.29
Sub-total of cash inflowsfrom operating activities	**26,360,977,536.09**	**19,887,230,063.30**
Cash paid for goods and services	19,356,192,281.32	18,016,394,572.45
Cash paid to and on behalf of employees	2,238,441,280.91	2,117,084,358.28
Payments of taxes	197,499,866.38	157,091,811.24
Other cash payments relating to operating activities	833,290,106.52	1,141,569,455.56
Sub-total of cash outflowsfrom operating activities	**22,625,423,535.13**	**21,432,140,197.53**
Net cash flow from operating activities	**3,735,554,000.96**	**-1,544,910,134.23**
II. Cash flows from investing activities:		
Cash receipts from disposal of investments	900,000,000.00	999,425,000.00
Cash receipts from investment income	36,541,732.71	14,298,810.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	749,425.99	847,560.03
Net cash received from disposal of subsidiaries and other business units		119,781.64
Other cash receipts relating to investing activities	4,074,104,657.87	894,996,962.96
Sub-total of cash inflows from investing activities	**5,011,395,816.57**	**1,909,688,115.43**
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	870,294,161.46	785,467,723.81
Cash paid for investments	929,210,860.24	892,033,674.31
Net cash paid for acquisition of subsidiaries and other business units	990,000.00	
Other cash payments relating to investing activities	5,995,598,386.76	2,024,548,411.59
Sub-total of cash outflows from investing activities	**7,796,093,408.46**	**3,702,049,809.71**
Net cash flow from investing activities	**-2,784,697,591.89**	**-1,792,361,694.28**

Item	2019	2018
III. Cash flows from financing activities:		
Cash receipts from receiving investments	1,200,000.00	4,801,010,000.00
Including: Cash received by subsidiaries from receiving investments made by minority interest	1,200,000.00	1,010,000.00
Cash receipts from borrowings obtained	16,262,450,494.07	9,900,757,500.00
Other cash receipts relating to financing activities	253,000,000.00	116,790,000.00
Sub-total of cash inflows from financing activities	**16,516,650,494.07**	**14,818,557,500.00**
Cash paid for repayment of debts	14,929,331,399.85	14,206,367,596.69
Cash paid for dividends, profit distribution or interest expenses	377,214,387.52	431,085,601.47
Including: Dividends and profits paid by subsidiaries to minority interests		61,526.88
Other cash payments relating to financing activities	19,067,561.81	1,003,400.00
Sub-total of cash outflows from financing activities	**15,325,613,349.18**	**14,638,456,598.16**
Net cash flow from financing activities	**1,191,037,144.89**	**180,100,901.84**
IV. Effect of change in foreign exchange rate on cash and cash equivalents	4,781,881.94	59,404,170.35
V. Net increase in cash and cash equivalents	2,146,675,435.90	-3,097,766,756.32
Add: Beginning balance of cash and cash equivalents	8,536,815,355.09	11,634,582,111.41
VI. Ending balance of cash and cash equivalents	10,683,490,790.99	8,536,815,355.09

Legal representative: Han Guangde

Person in charge of accounting: HouZengquan

Head of accounting department: XieWeihong

CASH FLOW STATEMENT OF THE COMPANY

2019

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

Item	**2019**	**2018**
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	207,869,540.30	228,310,357.17
Cash received from tax refund		
Other cash receipts relating to operating activities	37,823,455.64	22,705,205.23
Sub-total of cash inflows from operating activities	**245,692,995.94**	**251,015,562.40**
Cash paid for goods and services	134,448,686.10	189,111,561.88
Cash paid to and on behalf of employees	32,847,172.06	33,800,636.87
Payments of taxes	11,721,247.24	4,666,833.89
Other cash payments relating to operating activities	57,794,426.68	32,644,854.60
Sub-total of cash outflows from operating activities	**236,811,532.08**	**260,223,887.24**
Net cash flow from operating activities	**8,881,463.86**	**-9,208,324.84**
II. Cash flows from investing activities:		
Cash receipts from disposal of investments	47,831,683.24	
Cash receipts from investment income	86,694.62	669,528.43
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities	1,064,538,924.97	956,513,027.80
Sub-total of cash inflows from investing activities	**1,112,457,302.83**	**957,182,556.23**
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	300,224,507.17	768,301.67
Cash paid for investments		30,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	1,160,000,000.00	1,370,023,184.47
Sub-total of cash outflows from investing activities	**1,460,224,507.17**	**1,400,791,486.14**
Net cash flow from investing activities	**-347,767,204.34**	**-443,608,929.91**

Item	2019	2018
III. Cash flows from financing activities:		
Cash receipts from receiving investments		
Cash receipts from borrowings obtained	1,000,000,000.00	650,000,000.00
Other cash receipts relating to financing activities		
Sub-total of cash inflows from financing activities	**1,000,000,000.00**	**650,000,000.00**
Cash paid for repayment of debts	650,000,000.00	600,000,000.00
Cash paid for dividends, profit distribution or interest expenses	26,030,048.60	10,422,526.22
Other cash payments relating to financing activities	817,142.81	
Sub-total of cash outflows from financing activities	**676,847,191.41**	**610,422,526.22**
Net cash flow from financing activities	**323,152,808.59**	**39,577,473.78**
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-647,405.17
V. Net increase in cash and cash equivalents	-15,732,931.89	-413,887,186.14
Add: Beginning balance of cash and cash equivalents	99,371,121.05	513,258,307.19
VI. Ending balance of cash and cash equivalents	83,638,189.16	99,371,121.05

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

HIGHLIGHTS OF NOTES TO FINANCIAL STATEMENTS

I. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

(1) Basis for Preparation

Based on going-concern assumption and transactions and events actually occurred, the consolidated financial statements of the Group have been prepared in accordance with Accounting Standards 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 the Notes of Financial Statements.

(2) Going Concern

The management of the Company hasassessed the ability in continuing as a going concern for a period of 12 months from 31 December 2019. They are of the opinion that the existing financial situation can satisfy the Group's production and operation. Therefore, the financial statements have been prepared on the basis of the assumption of goingconcern.

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 by the Company, 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.

III. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Changes in significant accounting policies

(1) Details of and reason for changes

① The Ministry of Finance promugerated revised the Accounting Standards for Business Enterprises No. 21 – Leases in December 2018, and the Group implemented the New Lease Standards from 1 January 2019. The Group elected not to reevaluate whether the contracts that have existed before the date of first implementation are or contain leases. According to the accumulated affected amount arising from first implementation, the Group adjusted the amount of other related items in the financial statement at the beginning of the year for first implementation, while the information for the comparable period will not be adjusted.

② The Ministry of Finance promugerated the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發合併財務報表格式的通知(2019版)的通知》(財會[2019]16號))("Format of Financial Statements") in April 2019. An enterprise implementing the Accounting Standards for Business Enterprises shall prepare financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises and the notice.

(2) Principal impacts of changes

① Impacts on implementation of the revised Leases standard

Item of consolidated financial statement	**2018-12-31**	**Amount involved**	**2019-1-1**
Assets	47,475,344,086.37	199,340,500.82	47,674,684,587.19
Including: Right-of-use asset		199,340,500.82	199,340,500.82
Liabilities:	33,118,933,538.30	199,340,500.82	33,318,274,039.12
Including: Lease liabilities		152,171,100.46	152,171,100.46
Non-current liabilities due within one year	4,414,000,000.0000	47,169,400.36	4,461,169,400.3600
Equity	14,356,410,548.07		14,356,410,548.07
of which: Undistributed profit	-2,153,702,475.37		-2,153,702,475.37

The Company's financial statements have not been affected by new leasing policies.

② Impacts on implementation of the revised Format of Financial Statements

Accoding to the requirement of the Format of Financial Statements, the "notes and accounts receivable" has been split into "notes receivable" and "accounts receivable", the "notes and accounts payable" has been split into "notes payable" and "accounts payable" by the Group. The Group has retrospectively adjusted the statements for comparative period correspondingly. The changes in accounting policies have had no impact on the consolidation, the Company's net profit and the interests of the shareholders of the Company.

The impacts are as follows:

Item of the statement	**2018-12-31**	**Adjustment**	**2019-1-1**
Total assets	2,693,105,872.48		2,693,105,872.48
Including: Notes and accounts receivable	2,693,105,872.48	-2,693,105,872.48	
Notes receivable		130,810,712.06	130,810,712.06
Accounts receivable		2,562,295,160.42	2,562,295,160.42
Total liabilities	10,689,228,547.46		10,689,228,547.46
Including: Notes and accounts payable	10,689,228,547.46	-10,689,228,547.46	
Notes payable		2,730,396,298.20	2,730,396,298.20
Accounts payable		7,958,832,249.26	7,958,832,249.26

The Company's statements have not been affected following the implementation of the revised format of financial statements.

(2) Changes in significant accounting estimates

There is no need to disclose the significant changes in accounting estimates during the year.

IV. TAX

(1) Main taxes and rates

Type	**Tax basis**	**Tax rate**
PRC enterprise:		
– Value-added tax[Note]	Domestic sales; provision of processing, repair and repair services; rental income	16%, 13%
	Revenue from construction and installation business	10%, 9%
	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%
– Enterprise income tax	Taxable income	15%, 20%, 5%
Hong Kong profits tax	Taxable income	16.5%

Note: In accordance with the Announcement of the Ministry of Finance, the Tax Administration and the General Administration of Customs on Deepening the Policies Related to Value-Added Tax Reform (Cai Shui Hai Announcement [2019] No. 39):

1. For general taxpayer for value-added tax ("taxpayer"), the rates of value-added tax for the taxable sales or imports of goods had been changed from 16% and 10% to 13% and 9%, respectively.

2. For the exported goods and labour services to which a tax rate of 16% was originally applicable and the export rebate rate was 16%, the export rebate rate is adjusted to 13%. For the export goods and crossborder taxable activities to which a tax rate of 10% was originally applicable and the export rebate rate was 10%, the export rebate rate is adjusted to 9%.

According to this announcement, the Group adopted the value-added tax of 13% since 1 April 2019.

The Group's revenue from military products is exempted from value-added tax upon completion of the relevant procedures for tax relief.

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%	
Guangzhou Wenchong Dockyard Co., Ltd	15%	
Guangzhou Wenchong Shipyard Co., Ltd.	15%	
Guangzhou Wenchong Chonggong Co. Ltd.	15%	
Glory Group Development Limited	16.5%	Incorporated in Hong Kong
Fonkwang Development Limited	16.5%	Incorporated in Hong Kong
Eastwell Engineering Limited	16.5%	Incorporated in Hong Kong
WAH SHUN INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
WAH LOONG INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
Zhanjiang Nanhai Ship Hi-Tech Services Ltd	20%	Small low-profit enterprise
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	20%	Small low-profit enterprise
Other subsidiaries	25%	

(2) Preferential taxation treatment

(1) Enterprise income tax

Guangzhou Hongfan Technology Co., Ltd., the subsidiary of the Company, obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201744000859) on 9 November 2017, with a validity period of three years. Its enterprise income tax for this year was paid at a rate of 15%.

CSSC Huangpu Wenchong Shipbuilding Company Limited, the subsidiary of the Company, obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201844011040) on 28 November 2018, with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%.

Guangzhou Wenchong Dockyard Co., Ltd, the subsidiary of the Company, obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201844009674) on 28 November 2018, with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%.

Guangzhou Shipyard International Company Limited, the subsidiary of the Company, obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201731002771) on 23 November 2017. Its enterprise income tax for 2019 was paid at a rate of 25% since the company has not selected the treatment.

Guangzhou Wenchong Shipyard Co., Ltd., the subsidiary of the Company, obtained the Hi-tech Enterprise Certification in 2016, with a validity period of three years. It has not obtained the Certificate of Hi-tech Enterprise in 2019, however, on 2 December 2019, Guangdong Province has published the list of the third batch of high-tech enterprises to be certificatd online, and the number of high-tech enterprise certificates has been published. The certificate no. of Wenchong Shipyard is GR201944010453. It is expected Wenchong Shipyard will be able to obtain the Certificate of Hi-tech Enterprise, thus its enterprise income tax for 2019 was still calculated at a rate of 15%.

Guangzhou Wenchong Chonggong Co. Ltd., the subsidiary of the Company, obtained the Certificate of Hi-tech Enterprise (certificate no.: GR201844002831) on 28 November 2018, with a validity period of three years. Its enterprise income tax for 2019 was paid at a rate of 15%.

Zhanjiang Nanhai Ship Hi-Tech Services Ltd and Guangzhou Xingji Maritime Engineering Design Co., Ltd., both being the subsidiaries of the Company are small low-profit enterprises, with the income tax rate of 20%.

Glory Group Development Limited, Fonkwang Development Limited, 東發工程, Wah Shun International Marine Limited and Wah Loong International Marine Limited are registered in Hong Kong and subject to Hong Kong income tax, with the tax rate of 16.50%.

(2) Property tax

(1) On 16 December 2019, The Second Tax Office of Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation, issued the Taxation Matter Notice (Pu Er Suo Shui Tong [2019] No. 150726) to CSSC Huangpu Wenchong Shipbuilding Company Limited, the subsidiary of the Company, which was granted a preferential taxation treatment of reduction in property tax in the amount of RMB963,828.78, the reduction period is from 1 January 2019 to 31 December 2019.

(2) On 16 December 2019, The Second Tax Office of Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation, issued the Taxation Matter Notice (Pu Er Suo Shui Tong [2019] No. 150724) to Guangzhou Wenchong Shipyard Co., Ltd., the subsidiary of the Company, which was granted a preferential taxation treatment of reduction in property tax in the amount of RMB1,354,976.97, the reduction period is from 1 January 2019 to 31 December 2019.

(3) Land use tax

(1) On 30 December 2019, The Second Tax Office of Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation, issued the Taxation Matter Notice (Pu ErSuo Shui Tong [2019] No. 150756) to CSSC Huangpu Wenchong Shipbuilding Company Limited, the subsidiary of the Company, which was granted a preferential taxation treatment of reduction in urban land use tax in the amount of RMB1, 569,467.33, the reduction period is from 1 January 2019 to 31 December 2019.

(2) According to the Cai Sui Zi [1995 No.27] the Notice Regarding Certain Provisions on Exempting Military Use Enterprises Affiliated to Aviation, Aerospace, And Shipbuilding Corporation in China from Land Use Tax(財稅字[1995]27號文《關於對中國航空、航天、船舶工業總公司所屬軍工企業免徵土地使用稅的若幹規定的通知》), Guangzhou Shipyard International Company Limited, the subsidiary of the Company, was granted a preferential taxation treatment of reduction in urban land use tax in the amount of RMB615,487.64 in 2019.

(3) On 16 December 2019, The Second Tax Office of Guangzhou Huangpu Local Taxation Bureau, State Administration of Taxation, issued the Taxation Matter Notice (Pu Er Suo Shui Tong [2019] No. 150720) to Guangzhou Wenchong Shipyard Co., Ltd., the subsidiary of the Company, which was granted a preferential taxation treatment of reduction in urban land use tax in the amount of RMB958,164.88, the reduction period is from 1 January 2019 to 31 December 2019.

V. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

For the following disclosed financial statement data, unless otherwise noted, "Beginning Balance" refers to the balance as at 1 January 2019; and "Ending Balance" refers to the balance as at 31 December 2019. "Current Year" refers to the period from 1 January 2019 to 31 December 2019; "Last Year" refers to the period from 1 January 2018to 31 December 2018. The currency is in RMB.

Note: For the reason of the implementation of the new accounting standards this year, the balance as at 1 January 2019 is inconsistent with that at 31 December 2017. The balance at the beginning of the year stated in the Notes IV 37(1) to the Financial Statements is an explanation of the balance as at 1 January 2019 disclosed in Note IV to the Financial Statements, and is not an explanation of the balance as at 31 December 2018 disclosed in the financial statements.

1. Notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	563,453,834.95	83,544,762.52
Commercial acceptance bills	70,111,028.65	47,265,949.54
Total	**633,564,863.60**	**130,810,712.06**

(1) Notes receivable pledged as at the end of the period: None.

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

Item	Amount derecognized at the end of year	Amount not derecognised at the end of year
Bank acceptance bills	492,557,423.08	
Commercial acceptance bills	1,610,131.05	
Total	**494,167,554.13**	

(3) Notes transferred to accounts receivable at the end of year due to non-performance of drawers: None.

(4) Breakdown of notes receivable by methods of provision for bad debts

Type	Ending balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts					
Provision for bad debts is made on a portfoliobasis	633,564,863.60	100.00			633,564,863.60
Including: the due date is within one year	633,564,863.60	100.00			633,564,863.60
Total	**633,564,863.60**	/		/	**633,564,863.60**

Type	Beginning balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts					
Provision for bad debts is made on a portfolio basis	130,810,712.06	100.00			130,810,712.06
Including: the due date is within one year	130,810,712.06	100.00			130,810,712.06
Total	**130,810,712.06**	/		/	**130,810,712.06**

2. Accounts receivable

Name of project	Ending balance	Beginning balance
Accounts receivable	2,390,628,704.48	2,599,936,504.41
Less: Provision for bad debts	40,248,264.38	37,641,343.99
Net amount	**2,350,380,440.10**	**2,562,295,160.42**

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

	Ending balance		
Ageing	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	2,061,611,397.71	17,756,721.76	0.86
1-2 years	169,910,788.01	2,750,302.26	1.62
2-3 years	25,034,038.97	4,980,647.91	19.90
3-4 years	80,122,732.66	849,300.97	1.06
4-5 years	37,003,019.27	1,247,001.75	3.37
Over 5 years	16,946,727.86	12,664,289.73	74.73
Total	**2,390,628,704.48**	**40,248,264.38**	**1.68**

	Beginning balance		
Ageing	Accounts receivable	Provision for bad debts	Percentage (%)
Within 1 year	2,081,143,908.20	11,024,919.02	0.53
1-2 years	367,021,421.08	5,658,962.57	1.54
2-3 years	89,601,945.13	945,758.24	1.06
3-4 years	38,876,710.70	1,367,823.98	3.52
4-5 years	7,008,378.15	4,324,220.61	61.70
Over 5 years	16,284,141.15	14,319,659.57	87.94
Total	**2,599,936,504.41**	**37,641,343.99**	**1.45**

(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				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts is made on an individual basis	28,437,630.23	1.19	28,437,630.23	100.00	
Including: Accounts receivable which have a significant increase in credit risk since initial recognition	28,437,630.23	1.19	28,437,630.23	100.00	
Provision for bad debts is made on a portfoliobasis	2,362,191,074.25	98.81	11,810,634.15	0.50	2,350,380,440.10
Including: Accounts receivable which have no significant increase in credit risk since initial recognition	2,362,191,074.25	98.81	11,810,634.15	0.50	2,350,380,440.10
Total	**2,390,628,704.48**	**–**	**40,248,264.38**	**–**	**2,350,380,440.10**

Type	Beginning balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts is made on an individual basis	25,848,053.85	0.99	24,818,059.11	96.02	1,029,994.74
Including: Accounts receivable which have a significant increase in credit risk since initial recognition	25,848,053.85	0.99	24,818,059.11	96.02	1,029,994.74
Provision for bad debts is made on a portfoliobasis	2,574,088,450.56	99.01	12,823,284.88	0.50	2,561,265,165.68
Including: Accounts receivable which have no significant increase in credit risk since initial recognition	2,574,088,450.56	99.01	12,823,284.88	0.50	2,561,265,165.68
Total	**2,599,936,504.41**	**–**	**37,641,343.99**	**–**	**2,562,295,160.42**

(a) Accounts receivable which the provision for bad debts is made on an individual basis

Name	Ending balance			
	Accounts receivable	**Provision for bad debts**	**Provison Percentage (%)**	**Reasons for provision**
Henan Guangchuan Elevator Co., Ltd. (河南廣船電梯有限公司)	9,312,358.11	9,312,358.11	100	Not available to collect receivables from the landlord, with risk in collection
TENOVAAUSTRALIAPTYLTD	4,261,467.23	4,261,467.23	100	Very little chance of recovery
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	3,549,843.68	3,549,843.68	100	The counterparty lost the suit but has no executable property
WHL-FONKWANG	2,852,482.37	2,852,482.37	100	The company is a consortium established for the project and has been cancelled after the project completed
Chongqing Yuxiang Elevator Company (重慶渝祥電梯公司)	2,542,500.00	2,542,500.00	100	Not available to collect receivables from the landlord, with risk in collection
Guangzhou Nanfang Special Coating Co., Ltd.	1,186,418.63	1,186,418.63	100	The balance cannot be recovered
Chongqing Yuandong Fushi Electromechanical Company	1,497,280.00	1,497,280.00	100	Very little chance of recovery
Fuzhou Hongjia Electronic Technology Company (福州宏嘉電子科技公司)	443,118.00	443,118.00	100	Very little chance of recovery
Qingdao Yushi Dashan Real Estate Company (青島郁士大山房地產公司)	339,350.00	339,350.00	100	Very little chance of recovery

Name	Ending balance			
	Accounts receivable	Provision for bad debts	Provison Percentage (%)	Reasons for provision
Chongqing South Group Company	263,698.87	263,698.87	100	According to the contract, the house is used to offset the receivables, and there is dispute about the amount owed
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100	Very little chance of recovery
Guangzhou Hanyang Ship Supporting Equipment Manufacturing Co., Ltd. (廣州漢陽船舶配套設備製造有限公司)	180,000.00	180,000.00	100	Very little chance of recovery
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100	Very little chance of recovery
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100	Long ageing, with risk of collection
Weining Health Technology Group Co., Ltd. (衛寧健康科技集團股份有限公司)	140,000.00	140,000.00	100	Very little chance of recovery
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100	Very little chance of recovery
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100	Long ageing, with risk of collection
Shantou Customs Anti-smuggling Bureau (汕頭海關緝私局)	109,056.50	109,056.50	100	Customer kept changing requirements and the project cannot be advanced for a long time
Wuhan Yuji Property Co., Ltd.	105,500.00	105,500.00	100	All agents not available to collect receivables from the landlord, with a risk of collection
31 others	862,482.00	862,482.00	100	Very little chance of recovery
Total	**28,437,630.23**	**28,437,630.23**	–	–

(b) Accounts receivable which the provision for bad debts is made on a portfoliobasis

Ageing	Ending balance		
	Accounts receivable	**Provision for bad debts**	**Percentage (%)**
Within 1 year	2,089,753,366.73	10,448,445.61	0.50
1-2 years	152,375,468.17	761,877.34	0.50
2-3 years	12,331,769.84	61,658.85	0.50
3-4 years	70,526,881.33	352,634.41	0.50
4-5 years	32,626,708.80	163,133.54	0.50
Over 5 years	4,576,879.38	22,884.40	0.50
Total	**2,362,191,074.25**	**11,810,634.15**	**–**

(4) Bad debts during the year

Type	Beginning balance	Change for the year				Ending balance
		Provision	Recovered or reversed	Write-off	Change in scope of consolidation	
Provision for bad debts of accounts receivable	37,641,343.99	14,189,563.75	-160,325.81	-11,440,843.36	18,525.81	40,248,264.38
Total	**37,641,343.99**	**14,189,563.75**	**-160,325.81**	**-11,440,843.36**	**18,525.81**	**40,248,264.38**

Significant provision for bad debts recovered or reversed during the year: None.

(5) Accounts receivable written-off during the year

Item	Amount written-off
Accounts receivable written-off	11,440,843.36

Significant accounts receivable written-off

Name	Nature	Amount of write-off	Reason for write-off	Procedure for write-off	Arising From related party transactions or no
CONTSHIPS MANAGEMENT INC	Maintainance fee receivable	2,108,130.00	unable to collect	Perform the write-off procedures as required by the Company	No
evalend shipping co.s.a.	Maintainance fee receivable	1,398,421.01	unable to collect	Perform the write-off procedures as required by the Company	No
FAIRLAND ENTERPRISES LIMITED	Maintainance fee receivable	1,749,747.90	unable to collect	Perform the write-off procedures as required by the Company	No
VARADA ONE PTE LTD	Maintainance fee receivable	3,671,659.75	unable to collect	Perform the write-off procedures as required by the Company	No
HEBEI OCEAN SHIPPING CO.,LTD	Maintainance fee receivable	1,208,661.20	unable to collect	Perform the write-off procedures as required by the Company	No
Total	–	10,136,619.86	–	–	–

(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
Unit 1	Third party	276,120,305.12	Within 1 year	11.55	1,380,601.53
Unit 2	Third party	225,910,884.00	Within 1 year	9.45	1,129,554.42
Unit 3	Third party	177,124,800.00	Within 1 year	7.41	885,624.00
Unit 4	Third party	111,822,400.00	Within 1 year	4.68	559,112.00
Unit 5	Third party	111,106,306.20	Within 1 year	4.65	555,531.53
Total		**902,084,695.32**		**37.74**	**4,510,423.48**

(7) Other receivables derecognised arising from transfer of financial assets: None.

(8) Amount of assets and liabilities transferred from accounts receivable with continuing involvement: None.

3. Notes payable

Type	Ending balance	Beginning balance
Bank acceptance bills	2,723,458,661.24	2,286,572,893.25
Commercial acceptance bills	339,956,340.43	443,823,404.95
Total	**3,063,415,001.67**	**2,730,396,298.20**

4. Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	5,215,181,835.65	4,074,770,064.65
Payment for projects under construction	314,301,192.54	114,327,903.77
Balance of product payment	274,200,204.00	552,199,468.38
Retention money	1,037,723,660.38	1,485,763,195.74
Other construction and labour services	1,845,991,006.18	1,731,771,616.72
Total	**8,687,397,898.75**	**7,958,832,249.26**

(1) 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	6,160,619,081.93	4,318,781,010.73
1-2 years	1,230,596,212.92	2,967,761,937.65
2-3 years	779,736,568.28	417,041,372.35
Over 3 years	516,446,035.62	255,247,928.53
Total	**8,687,397,898.75**	**7,958,832,249.26**

(2) Significant accounts payable aged over one year

Name	Ending balance	Including: Amount over one year	Reason for unsettlement or carrying forward
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	948,706,497.32	91,192,818.29	Warranty and provisional estimates
CSSC Systems Engineering ResearchInstitute	497,947,000.69	243,266,460.70	Warranty and provisional estimates
China Shipbuilding Industry Corporation 704 Research Institute	102,221,450.00	69,471,886.11	Warranty and provisional estimates
Aviation Technology Research Instituteof China Aerospace Scienceand Industry	230,884,200.00	161,134,200.00	Warranty and provisional estimates
China Shipbuilding Industry Corporation 705 Research Institute	196,523,500.00	47,879,500.00	Warranty and provisional estimates
Hudong Heavy Machinery Co., Ltd.	164,978,397.28	32,871,153.84	Warranty and provisional estimates
Wenzhou Bohong Electric Co., Ltd.	34,487,370.00	34,487,370.00	Warranty and provisional estimates
Total	**2,175,748,415.29**	**680,303,388.94**	**–**

5. Undistributed profit

Item	Current year	Last year
Undistributed profit at the end of the previous year before adjustment	**-2,153,702,475.37**	**-255,300,411.53**
Add: Beginning adjustment to undistributed profit		-29,547,841.37
Including: Retrospective adjustment of the new provisions of the Accounting Standards for Business Enterprises		
Changes in accounting policies		-29,547,841.37
Corrections to the important errors of the previous period		
Changes in the scope of merger under the same control		
Other factors of adjustment		
Undistributed profit at the beginning of the year after adjustment	**-2,153,702,475.37**	**-284,848,252.90**
Add: Net profit attributable to owners of the Company for the year	548,320,338.54	-1,869,014,160.08
Add: Transfer from other comprehensive income to retained earnings		159,937.61
Less: Statutory surplus reserve set aside	10,947.70	
Discretionary surplus reserve set aside		
General reserve made		
Dividends payable on ordinary shares		
Undistributed profit at the end of the year	**-1,605,393,084.53**	**-2,153,702,475.37**

6. Net current assets

Item	Ending balance	Beginning balance
Current assets	33,235,450,338.19	29,035,181,060.62
Less: Current liabilities	29,410,507,753.51	27,607,675,655.72
Net current assets	**3,824,942,584.68**	**1,427,505,404.90**

7. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	52,304,069,154.98	47,475,344,086.37
Less: Current liabilities	29,410,507,753.51	27,607,675,655.72
Total assets less current liabilities	**22,893,561,401.47**	**19,867,668,430.65**

8. Operating income & Operating costs

Item	Current year	Last year
Revenue from principal business	21,581,588,577.17	19,002,635,540.52
Income from other business	247,414,386.60	210,960,853.51
Total	**21,829,002,963.77**	**19,213,596,394.03**
Costs of principal business	20,791,601,441.28	19,149,600,183.64
Costs of other business	167,693,512.85	112,869,562.64
Total	**20,959,294,954.13**	**19,262,469,746.28**

Gross profit from principal business

Item	Current year	Last year
Revenue from principal business	21,581,588,577.17	19,002,635,540.52
Costs of principal business	20,791,601,441.28	19,149,600,183.64
Gross profit	789,987,135.89	-146,964,643.12

(1) Principal business – by product

Product name	Current year	Last year
Operating income		
Ship products	16,480,667,808.06	15,074,500,138.56
Including:	–	–
Bulk carriers	580,491,099.01	838,481,272.71
Oil tankers	4,619,845,280.11	2,914,177,181.01
Containerships	2,743,315,554.12	1,948,012,116.47
Special ships and others	8,537,015,874.82	9,373,829,568.37
Offshore engineering product	1,321,234,115.03	1,431,752,144.31
Steel structure	2,011,736,461.38	724,839,574.41
Maintenance and modification on ships	1,042,288,419.71	907,948,316.47
Electromechanical products and others	725,661,772.99	863,595,366.77
Total	**21,581,588,577.17**	**19,002,635,540.52**
Operating costs		
Ship products	16,217,877,959.85	15,211,331,860.89
Including:		
Bulk carriers	556,833,606.51	802,765,072.63
Oil tankers	5,001,816,567.33	3,103,672,217.45
Containerships	2,813,914,430.32	1,862,609,466.00
Special ships and others	7,845,313,355.69	9,442,285,104.81
Offshore engineering product	1,216,369,388.52	1,585,077,615.70
Steel structure	1,791,605,611.67	679,623,834.29
Maintenance and modification on ships	859,722,405.80	791,950,320.34
Electromechanical products and others	706,026,075.44	881,616,552.42
Total	**20,791,601,441.28**	**19,149,600,183.64**

(2) Principal business – by region

Region	Current year	Last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	13,280,308,241.32	11,334,631,302.20
Other regions in Asia	1,668,033,894.64	639,604,362.49
Europe	3,089,923,709.17	3,945,030,525.19
Oceania	983,088,477.79	682,924,110.56
North America	438,904,472.85	1,351,863,663.92
Africa	2,086,041,744.97	890,489,400.31
South America	35,288,036.43	158,092,175.85
Total	**21,581,588,577.17**	**19,002,635,540.52**
Operating costs		
China (including Hong Kong, Macau and Taiwan)	12,287,244,136.23	11,319,324,405.91
Other regions in Asia	1,749,484,608.75	620,733,098.94
Europe	3,326,534,606.42	4,196,153,405.24
Oceania	999,832,979.60	685,780,641.07
North America	376,329,160.35	1,250,418,744.55
Africa	2,025,562,650.57	924,798,353.00
South America	26,613,299.36	152,391,534.93
Total	**20,804,193,401.26**	**19,149,600,183.64**

(3) Other operating income and other operating costs

Product name	Current year	Last year
Income from other business		
Sale of materials	78,693,545.12	51,391,513.56
Sales of scrap materials	88,882,046.98	86,867,023.16
Service income	6,273,921.75	14,717,773.14
Rental income	43,678,333.84	3,284,341.02
Energy income	7,782,369.10	42,375,194.40
Others	22,104,169.81	12,325,008.23
Total	**247,414,386.60**	**210,960,853.51**
Costs of other business		
Sale of materials	71,424,148.71	35,672,292.89
Sales of scrap materials	51,236,840.79	39,501,596.38
Service income	3,254,022.36	8,604,005.09
Rental income	28,267,915.03	978,822.95
Energy income	7,589,203.17	24,484,850.94
Others	5,921,382.79	3,627,994.39
Total	**167,693,512.85**	**112,869,562.64**

(4) Contract revenue

Contract types	Shipbuilding and related business segments	Steel structure Business segments	Shipmaintenance and related business segments	Other segments	Total
Product types	**19,475,193,072.80**	**1,150,013,170.94**	**787,458,676.38**	**416,338,043.65**	**21,829,002,963.77**
Ship products	16,480,667,808.06	–	–		16,480,667,808.06
Offshore engineering products	1,321,234,115.03	–	–		1,321,234,115.03
Steel structure	1,110,115,569.65	901,620,891.73	–		2,011,736,461.38
Maintenance and modification on ships	287,100,794.04		755,187,625.67		1,042,288,419.71
Electromechanical products and others	150,041,776.88	238,876,410.06		336,743,586.05	725,661,772.99
Other business	126,033,009.14	9,515,869.15	32,271,050.71	79,594,457.60	247,414,386.60
Classified by region	**19,475,193,072.80**	**1,150,013,170.94**	**787,458,676.38**	**416,338,043.65**	**21,829,002,963.77**
Domestic	11,223,443,136.47	1,150,013,170.94	787,458,676.38	366,807,644.13	13,527,722,627.92
Overseas	8,251,749,936.33	–	–	49,530,399.52	8,301,280,335.85
Market or customer type	**19,475,193,072.80**	**1,150,013,170.94**	**787,458,676.38**	**416,338,043.65**	**21,829,002,963.77**
State-owned enterprise	7,652,791,697.35	1,095,184,913.33	249,769,347.95	137,184,238.80	9,134,930,197.43
Private enterprise	4,299,176,315.15	54,828,257.61	32,310,366.03	277,725,783.88	4,664,040,722.67
Foreign enterprise	7,523,225,060.30	–	505,378,962.40	1,428,020.97	8,030,032,043.67
Contract types	**19,475,193,072.80**	**1,150,013,170.94**	**787,458,676.38**	**416,338,043.65**	**21,829,002,963.77**
Fixed price	19,475,193,072.80	1,150,013,170.94	787,458,676.38	416,338,043.65	21,829,002,963.77
Cost bonus					
Classified by time of goods transformation	**19,475,193,072.80**	**1,150,013,170.94**	**787,458,676.38**	**416,338,043.65**	**21,829,002,963.77**
Performance for a period of time	18,103,404,160.74	483,430,169.43	–		18,586,834,330.17
Performance for one hour	1,371,788,912.06	666,583,001.51	787,458,676.38	416,338,043.65	3,242,168,633.60
Classified by contract duration	**19,475,193,072.80**	**1,150,013,170.94**	**787,458,676.38**	**416,338,043.65**	**21,829,002,963.77**
Short term	784,627,412.78	666,583,001.51	787,458,676.38	416,338,043.65	2,655,007,134.32
Long term	18,690,565,660.02	483,430,169.43	–		19,173,995,829.45
Classified by sales channel	**19,475,193,072.80**	**1,150,013,170.94**	**787,458,676.38**	**416,338,043.65**	**21,829,002,963.77**
Direct	13,764,924,738.95	1,150,013,170.94	787,458,676.38	416,338,043.65	16,118,734,629.92
Agency	5,710,268,333.85	–	–		5,710,268,333.85
Total	**19,475,193,072.80**	**1,150,013,170.94**	**787,458,676.38**	**416,338,043.65**	**21,829,002,963.77**

(5) Description of performance obligations

The performance obligations of the Group are mainly the completion of the construction, delivery and warranty of ships and ancillary products. The time for fulfilling the performance obligations is basically in line with the completion schedule of the ships, mainly including the nodes, such as starting, closure, docking, launching, sea trial and delivery. Based on the time and proportion of the settlement of the progress payment set out in the contract signed by the Group and the customer, the two parties shall perform the corresponding obligations according to the terms of the contract. If any party defaults or fails to perform the contractual obligations in a timely manner, wherethe responsibility lies with the Group, it shall refund the prepayments from cunstomers together with the contract asssets caused thereby; wherethe responsibility lies with the customer, the Group has the right to require the customer to continue to perform or compensate the costs and profits incurred in the contract performance. For defects caused by unintentional, navigation risks and physical damage during thewarranty period of the contract, which is generally 1 year, enterprises provide repair services without any charges.

(6) Description of allocated to remaining performance obligations

The amount of income corresponding to the performance obligations that have been contracted but not yet fulfilled or completely fulfilled at the end of the year was RMB46,158,348,000.00, of which RMB17,424,260,200.00 is expected to be recognised in 2020.

(7) Top five customers by operating income

Customers	**Relationship with the Group**	**Current year**	**Percentage of total operating income (%)**
First	Third party	5,271,900,407.61	24.43
Second	Third party	1,184,305,369.63	5.49
Third	Third party	1,165,376,595.99	5.40
Fourth	Third party	880,469,380.34	4.08
Fifth	Third party	743,850,362.52	3.45
Total		**9,245,902,116.09**	**42.84**

(8) Purchase amounts from top five suppliers

Supplier	Relationship with the Group	Current year	Percentage of total operating income (%)
First	Under common control of CSSC	2,473,982,752.29	11.90
Second	Under common control of CSSC	405,213,000.00	1.95
Third	Under common control of CSSC	329,781,000.00	1.59
Fourth	Third party	324,541,676.80	1.56
Fifth	Third party	242,102,243.76	1.16
Total		**3,775,620,672.85**	**18.16**

9. Finance cost

(1) Breakdown of finance costs

Item	Current year	Last year
Interest expenses	364,243,854.91	370,303,935.69
Less: Interest income	229,368,563.22	235,693,676.79
Less: Net exchange gains	25,150,754.16	29,984,211.01
Add: Net exchange losses		
Add: Other expenses	34,437,133.48	13,847,453.94
Total	**144,161,671.01**	**118,473,501.83**

(2) Breakdown of interest expenses

Item	Current year	Last year
Interest on bank loans and overdraft		
Interest on bank borrowings due within 5 years	150,438,734.80	186,423,630.74
Other borrowings		
Interest on other borrowings due within 5 years	253,675,166.99	211,029,404.94
Other interest expenses	3,720,751.43	7,409,892.02
Sub-total	407,834,653.22	404,862,927.70
Less: Interest capitalised	14,410,798.31	3,488,992.01
Less: Interest subsidy	29,180,000.00	31,070,000.00
Total	**364,243,854.91**	**370,303,935.69**

(3) Breakdown of interest income

Item	**Current year**	**Last year**
Interest income from bank deposits	195,449,999.67	213,995,186.14
Interest income from receivables	33,918,563.55	21,698,490.65
Total	**229,368,563.22**	**235,693,676.79**

10. Investment income

Item	**Current year**	**Last year**
Gain on long-term equity investments accounted for using equity method	11,830,229.89	-8,308,324.83
Investment income from disposal of long-term equity investments	-93,136.11	
Investment income from disposal of financial assets at fair value through profit or loss		
Investment income from holding available-forsale financial assets		
The gain on fair value revaluation of the remaining stake		28,432,071.85
Investment income from other investments in equity instruments	1,339,419.91	945,450.54
Interest income earned during the holding of other debt investment	13,745,972.01	36,175,021.34
Investment income from disposal of financial assets held for trading	5,580,169.99	-181,064,274.00
Others		
Total	**32,402,655.69**	**-123,820,055.10**

11. Gain/loss on change in fair value

Item	**Current year**	**Last year**
Change in fair value of financial assets held for trading	40,013,438.46	5,082,899.10
Change in fair value of financial liabilities held for trading	-119,600,315.72	-428,527,762.47
Total	**-79,586,877.26**	**-423,444,863.37**

12. 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
Profit from destroyed and damaged non-current assets	719,760.47	491,470.55	719,760.47
Including: Loss from destroyed and damaged fixed assets	719,760.47	491,470.55	719,760.47
Government grants not related to daily business activities of the company	4,425,312.28	3,880,195.98	4,425,312.28
Compensation for assets relocation Note		538,425,711.69	
Transfer from claims under the balance of social security fund		6,452,562.32	
Penalty income	8,494,211.97	232,889.26	8,494,211.97
Compensation for colletion and reservation and land restoration	1,279,251,223.80		1,279,251,223.80
Compensation for land relocation	999,262,074.35		999,262,074.35
Others	2,246,847.96	4,020,701.97	2,246,847.96
Total	**2,294,399,430.83**	**553,503,531.77**	**2,294,399,430.83**

The amount included in non-recurring gains and losses for current period was RMB2,294,399,430.83 (previous year: RMB553,503,531.77).

Note 1: On 26 April 2019, Wenchong Shipyard, a subsidiary of the Company, and Guangzhou Wenchong Industrial Co., Ltd. signed the Wenchong Shipyard Phase I Relocation Agreement, to facilitate the demolishment, relocation and resettlement in area of west of Wenchuan Road. According to the compensation standard for the relocation and production suspension of the relocated land in the first phase, Wenchong Industry provided the corresponding compensation of RMB1.4 billion to Wenchong Shipyard, and Wenchong Shipyard realized a net income of RMB999,262,074.35.

Note 2: On 18 November 2019, Guangzhou Shipyard International, a subsidiary of the Company and Guangzhou Shipyard Shipping Co., Ltd. signed the Compensation Agreement for Acquisition and Storage of Parcel One of Liwan Plant in Guangzhou Shipyard International (《廣船國際荔灣廠區收儲地塊壹補償協議》), pursuant to which, Guangzhou Shipyard Shipping Co., Ltd. paid Guangzhou Shipyard International the land acquisition and storage fee of RMB1.427 billion for the Guangzhou Shipyard International Liwan land parcel.

On 20 December 2019, Guangzhou Municipal Planning and Natural Resources Bureau dully released the Guangzhou Planning and Natural Resources Bureau's Online Listing and Transfer of State-owned Land Use Rights Announcement (Sui Guihua Ziyuan Guachu Gao Zi [2019] No.66) (《廣州市規劃和自然資源局國有土地使用權網上掛牌出讓公告》(穗規劃資源掛出告字[2019]66 號)) in relation to the acquisition and storage of land parcel for the Guangzhou Shipyard International Liwan Plant, the acquisition and storage of parcel one of Liwan Plant has been list since 20 December 2019.

Details of government grants not related to daily business activities of the company

Item	Current year	Last year	Source and basis	Relating to assets/ Relating to revenue
Use of subsidy for shore power	2,120,000.00	–	Guangzhou Salvage Bureau	Relating to revenue
Subsidy for separation and transfer of water, power and gas supply and property management business	1,820,129.88	1,820,129.88	Finance in Huangpu District	Relating to revenue
Government subsidy for special hardship enterprises		1,254,800.00	Chuan Gong Cai [2018] 794	Relating to revenue
Special funds for fair trade in imports and exports		300,000.00	Guangdong Commercial Aiding Letter [2017] 24	Relating to revenue
Medical expenses subsidy for retired cadres	230,000.00	250,000.00	National government subsidy	Relating to assets
Trade friction response research fund		165,000.00	Guangdong Commercial Aiding Letter [2017] 24	Relating to assets
Other projects	255,182.40	90,266.10		Relating to revenue
Total	**4,425,312.28**	**3,880,195.98**	**–**	**–**

(2) 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).

13. Income tax expense

(1) Income tax expense

Item	Current year	Last year
Current income tax-PRC enterprise income tax	1,356,407.31	-7,619,024.57
PRC	1,356,407.31	-7,619,024.57
Hong Kong		
Deferred income tax	61,182,041.29	21,543,842.30
Total	**62,538,448.60**	**13,924,817.73**

(2) Adjustment to income tax expenses and total profit

Income tax calculated using applicable tax rates based on total profit under the combined income statement is adjusted as income tax expenses as follows:

Item	Current year
Total consolidated profit for the year	991,084,733.72
Income tax expenses calculated at statutory/applicable tax rate	247,771,183.43
Impact of different tax rates for subsidiaries	-81,332,844.06
Impact of adjustment for income tax for previous periods	-1,751.83
Impact of non-taxable income	-4,314,609.24
Impact of non-deductible costs, expenses and losses	2,985,925.82
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-127,118,974.95
Impact of deductible temporary differences for which no deferred tax assets are recognised for the year or deductible losses	72,261,548.86
Other (including the effect of deduction)	-47,712,029.43
Income tax expense	62,538,448.60

14. 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'snet 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	548,320,338.54	-1,869,014,160.08
Non-recurring gains and losses attributable to the Company	2	1,565,413,108.80	-111,482,742.70
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	-1,017,092,770.26	-1,757,531,417.38
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		
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 nonrecurring gains and losses	13		1,413,506,378.00
Basic earnings per share (I)	**14=1÷12**	**0.3879**	**-1.3223**
Basic earnings per share (II)	**15=3÷13**	**-0.7196**	**-1.2434**
Potential diluted interests of ordinary shares recognised as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25

Item	No.	Current year	Last year
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)**	**0.3879**	**-1.3223**
Diluted earnings per share (II)	**21=[3+(16-18)×(1-17)]÷(13+19)**	**-0.7196**	**-1.2434**

15. Dividends

Details of the dividends declared and paid and proposed during the track record period are as follows:

(1) For the year ended 31 December 2017

According to the "proposal for profit distribution for 2016" approved by the 2016 Annual General Meeting of the Company on 26 May 2017, the Company will distribute cash dividends to all shareholders, and a cash dividend of RMB0.16 (including tax) will be distributed for every 10 shares, calculated according to the number of the 1,413,506,378 issued shares, there will be a total of RMB22,616,102.05.

(2) For the year ended 31 December 2018

According to the resolutions of the 2017 Annual General Meeting held on 29 May 2018, the Company does not distribute dividends in 2017 and that the Company does not convert capital reserve into share capital.

(3) For the year ended 31 December 2019

According to the resolutions of the 2018 Annual General Meeting held on 28 May 2019, the Company does not distribute dividends in 2017 and that the Company does not convert capital reserve into share capital.

16. Depreciation and amortisation

Item	Current year	Last year
Depreciation of investment properties	628,712.16	628,712.16
Depreciation of fixed assets	724,752,347.33	710,579,883.83
Amortisation of intangible assets	59,574,411.05	59,779,481.34
Amortisation of long-term prepaid expenses	15,197,057.54	16,710,046.29
Depreciation of right-of-use asset	52,516,151.80	
Total	**852,668,679.88**	**787,698,123.62**

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

Gains on disposal of investments during the year is o (gains on disposal of investments during last year is RMB28,432,071.85, representing the subsidiary, Nanfang Special Coating lost control as which applied for bankruptcy, and the investment income confirmed by the difference between the equity value calculated by 0; while gain on disposal of properties for last year is 0).

The Company's gain (or loss) on disposal of properties for the year was nil (last year: 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	Bisnuess segments of maintenance and modification on ships	Others	Inter-segment elimination	Total
Operating income	26,762,317,459.52	2,147,095,141.38	1,087,891,771.76	3,566,004,030.50	-11,734,305,439.39	21,829,002,963.77
Including: Revenue from external transactions	18,646,634,293.53	1,688,870,022.85	1,071,071,237.28	422,427,410.11		21,829,002,963.77
Revenue from intra-segment transactions	8,115,683,165.99	458,225,118.53	16,820,534.48	3,143,576,620.39	-11,734,305,439.39	
Operating costs	25,981,577,606.63	2,205,298,039.03	891,261,629.55	3,635,052,650.18	-11,753,894,971.26	20,959,294,954.13
Period charge	1,375,066,878.52	89,752,449.89	204,489,718.49	74,875,848.30	-4,348,253.40	1,739,836,641.80
Segment total profit	1,238,196,097.35	-1,960,138.50	-86,795,267.89	19,993,831.59	-178,349,788.83	991,084,733.72
Total assets	54,882,001,047.30	1,931,003,710.99	2,479,995,610.04	12,271,989,965.59	-19,260,921,178.94	52,304,069,154.98
Total liabilities	38,624,557,614.88	1,635,740,483.65	2,555,906,327.00	2,867,459,070.47	-8,927,318,028.89	36,756,345,467.11
Supplementary information						
Capital Expenditure	1,745,407,690.08	8,613,153.73	37,298,958.12	8,185,219.77		1,799,505,021.70
Impairment loss recognized during current period	310,547,740.83	312,365.23	75,597.12	13,546,019.00	1,927,294.24	326,409,016.42
Depreciation and amortization expense	719,529,219.08	7,384,889.65	67,336,110.92	67,079,794.70	-8,661,334.47	852,668,679.88

Segment information for the previous year

Item	Shipbuilding and related business	Steel structure engineering	Bisnuess segments of maintenance and modification on ships	Others	Inter-segment elimination	Total
Operating income	19,343,627,460.39	1,256,736,356.00	674,198,000.24	720,478,009.86	-2,781,443,432.46	19,213,596,394.03
Including: Revenue from external transactions	17,280,026,667.76	761,961,022.61	649,791,240.16	521,817,463.50		19,213,596,394.03
Revenue from intra-segment transactions	2,063,600,792.63	494,775,333.39	24,406,760.08	198,660,546.36	-2,781,443,432.46	
Operating costs	17,403,042,662.44	997,717,973.97	645,868,805.31	710,461,023.94	-494,620,719.38	19,262,469,746.28
Period charge	1,236,419,170.36	66,221,728.60	215,752,151.91	61,137,201.26	15,605,216.90	1,595,135,469.03
Segment total profit	-2,225,563,959.17	-24,331,351.38	-187,434,746.74	-5,334,826.36	-17,560,448.88	-2,460,225,332.53
Total assets	48,871,338,220.68	1,164,236,972.75	2,379,417,256.47	10,249,175,834.91	-15,188,824,198.44	47,475,344,086.37
Total liabilities	34,225,463,809.53	874,376,973.12	2,371,477,071.83	1,090,599,358.83	-5,442,983,675.01	33,118,933,538.30
Supplementary information						
Capital Expenditure	2,180,131,166.65	26,598,593.91	71,079,832.79	38,301,509.81	-638,609,705.04	1,677,501,398.12
Impairment loss recognized during current period	688,311,369.64	-354,545.33	30,030,115.64	-1,478,767.42	5,465.16	716,513,637.69
Depreciation and amortization expense	687,273,698.19	6,907,977.67	75,195,611.93	18,320,835.83		787,698,123.62

(2) Revenue from external transactions by origin of revenue

Revenue from external transactions	**Current year**	**Last year**
Revenue from external transactions derived from China	13,527,722,627.92	11,545,592,155.71
Revenue from external transactions derived from other countries	8,301,280,335.85	7,668,004,238.32
Total	**21,829,002,963.77**	**19,213,596,394.03**

(3) Non-current assets by location of assets

Total non-current assets	**Ending balance**	**Beginning balance**
Non-current assets within China (excluded Hong Kong)	14,522,172,411.45	17,072,158,586.14
Hong Kong	640,462,653.28	727,749,130.41
Total	**15,162,635,064.73**	**17,799,907,716.55**

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