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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Financial Highlights)

Turnover:	RMB12,795,124,917.87
Profit attributable to equity holders of the Company:	RMB688,391,027.99
Earnings per share attributable to equity holders of the Company:	RMB0.4870

The board (the "**Board**") of directors (the "**Directors**") 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 2022 (the "**Reporting Period**" or the "**Year**") which were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC, together with comparative figures for the same period in 2021, 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 in the form of scrip dividend, 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 of the Company 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 annually. 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 scrip dividend as an additional means for profit distribution, and the sum of cash dividends and scrip dividends shall not be less than 50% of the distributable profits for the year. In determining the specific amount for distributing profits in the form of scrip dividend, the Company should give due regard to whether the total share capital after profit distribution in scrip form corresponds to the Company's current scale of operation and profit growth rate, and consider the impact on the debt financing cost in future, 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:

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

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

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

   (4) 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 exceeding 10% of its latest audited net assets and the sum is over RMB500,000,000.

(5) 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 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 their opinions shall be made 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 the general meeting of shareholders.

The Company intends to distribute a cash dividend of RMB0.10 (tax inclusive) for every 10 shares to all its shareholders (the "**Shareholders**"), calculated according to the total share capital of 1,413,506,378 shares as at 31 December 2022, and the total cash dividends to be distributed will be RMB14,135,063.78 (tax inclusive), representing 2.05% of the net profit attributable to shareholders of the Company for the Year. The remaining undistributed profits of RMB954,983,515.14 will be carried forward for distribution in future years. The Company did not convert capital reserve into share capital for 2022. If the total share capital of the Company changes before the last registration date for the implementation of dividend distribution, the Company shall maintain the distribution ratio per share unchanged and adjust the total distribution accordingly.

Reference is made to the notice of the annual general meeting of 2022 of the Company dated 30 March 2023, in relation to, among others, the share transfer registration arrangements in respect of the 2022 profit distribution plan. In order to qualify Shareholders for the proposed final dividend, the Company hereby revises and confirms to close the register of members of the Company from 31 May 2023 to 5 June 2023 (both days inclusive), during which period no transfer of shares will be registered. All completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on 30 May 2023. Shareholders whose names appear on the register of members of the Company on 5 June 2023 are entitled to receive the final dividend in cash for the year ended 31 December 2022. If the relevant resolution is approved, it is expected that the dividends will be paid to the Shareholders on Thursday, 20 July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

(a) Development of the shipbuilding market in 2022

Completion for new ship orders narrowed down. In 2022, the shipping market was subject to structural adjustments, together with the large orders in hand held by shipyards and generally high ship prices, resulting in insufficient impetus for new ship transactions. Orders for 1,484 new ships for a total of 88.68 million DWT (deadweight tonnage) were secured on a global basis from January to December 2022, representing a year-on-year decrease of 36.1% in terms of DWT.

From the perspective of ship types, the transaction volume of the three main ship types, namely oil tankers, bulk carriers and container ships, fell across the board and recorded year-on-year decrease of 58.9%, 50.0% and 38.6% in terms of DWT, respectively; and the transaction volume of liquefied gas carriers increased significantly for 72.8% year-on-year in terms of DWT, mainly due to the increase in orders for relevant new ships as driven by the long-term demand for transport capacity in the energy transportation market dominated by liquefied natural gas (LNG) carriers.

The price of new ships showed differentiated trends. By the end of December 2022, the Clarkson New Ship Price Index closed at 162 points, representing a year-on-year increase of 8 points. During this Year, the price of new ships continued the rising trend as in 2021, but the increase of newbuilding price in the second half of the year slowed down. From the perspective of main ship types, the Clarkson New Ship Price Index of oil tankers, container ships and liquefied gas carriers were 192 points, 102 points and 175 points, representing year-on-year increases of 10 points, 4 points and 17 points, respectively; and that of bulk carrier was 155 points, representing a decrease of 6 points year-on-year.

China ranked first in the world in terms of receipt of orders. From January to December 2022, shipyards of China, Japan and South Korea received a total of 84.857 million DWT of new ship orders, accounting for approximately 95.7% of the global market share. The global market share of China, Japan and South Korea was 54.1%, 12.1% and 29.6%, respectively, with China ranking first in the world in terms of receipt of orders. During the Reporting Period, in addition to maintaining a leading position in traditionally advantageous ship types such as bulk carriers, China's shipbuilding industry surpassed South Korea in high value-adding ship types such as large container ships, very large crude carriers (VLCCs) and pure car and truck carriers (PCTCs), and achieved new breakthroughs in the area of gas carriers, with a market share of approximately 30% for large liquefied natural gas (LNG) carriers.

The offshore engineering market experienced a decrease in transaction volume but a rise in price. During the Reporting Period, the global offshore engineering market showed a recovery trend. A total of 125 sets/ships of offshore engineering equipment traded worldwide in 2022, representing a year-on-year increase of 43.7%; and the transaction value totaled US$23.52 billion, representing a year-on-year increase of 135.1%. In terms of market segments, 19 sets of production, storage and transportation equipment, represented by floating production storage and offloading (FPSO) vessels, were traded with a total value of approximately US$15.47 billion; 89 sets/ships of working vessels for offshore engineering were traded with a total value of approximately US$7.75 billion, comprising mainly offshore wind power engineering construction vessels such as offshore wind power installation vessels, crane ships, cable ships, etc.. There was no transaction recorded for new mobile drilling platform shipbuilding market; and the transaction volume of marine survey equipment and offshore engineering support vessels was less than 20, with a market share of less than 2% in terms of monetary value.

Remarks: The above data are sourced from China Shipbuilding Corporation Economic Research Center.

(b) Operation of the Group

In 2022, faced with the complex situation such as structural adjustment in the global shipbuilding market, the Company further promoted the quality and efficiency improvement, implemented the high-quality development outline and the "14th Five-Year Plan", focused on its main responsibilities and main business, gathered strength to build a strong military, and enhanced its scientific and technological innovation capability and core competitiveness. As a result, the Company made significant progress in its production and operation, and steadily improved its development quality.

We maintained a good momentum in receiving orders. The Company continued to develop the three major industries of marine defense equipment, offshore engineering equipment and marine scientific and technological innovation equipment", and achieved operating orders of RMB14.35 billion during the Year, exceeding the annual business plan. During the Year, the Company resolutely fulfilled its primary responsibility of building a strong military, continued to enhance its equipment supply capacity, and vigorously undertook its military missions in accordance with the national defense and military modernisation requirements. Meanwhile, the Company actively seized market opportunities, made scientific planning for taking orders for civilian products, achieved bulk take-up of feeder containers and public service vessels, and constantly optimised the structure of ship products; the Company has also achieved satisfactory results in businesses such as offshore wind power, ship repair and industrial internet.

Our shipbuilding tasks were delivered on schedule with guaranteed quality. Facing the favorable situation of holding full orders, the Group solidly promoted the key work in business operation and production, cost control and technological innovation, comprehensively strengthened the entire process management of research and development and design, production and manufacturing, supply chain, quality and safety, continuously deepened the core capabilities construction, and steadily enhanced the operational efficiency. During the Reporting Period, the shipbuilding cycle of main ship types of the Group was significantly shortened, while other high-end ship products were manufactured in a balanced and orderly manner. The Group successfully completed its shipbuilding tasks, achieved the operating income of RMB12.795 billion, completed and delivered 32 ships, including various types and ships of important defense equipment products. The Group also independently developed the 1900 TEU container ships and 85000 DWT bulk carriers, as well as intelligent unmanned system mothership "Zhuhai Cloud" (珠海雲號), the Three Gorges 2,000 ton wind power platform, steel shell pipe joints for Shenzhen-Zhongshan Bridge and other key products.

OPERATIONAL REVIEW

During the Reporting Period, the Group completed and delivered 32 ships, a total of 627,500 DWT, and realised operating income of RMB12.795 billion, representing a year-on-year increase of 9.63%. The total profit was RMB700 million, representing a year-on-year increase of RMB585 million or an increase by 508.04%. Net profit attributable to the shareholders of the Company was RMB688 million, representing a year-on-year increase of RMB609 million or an increase by 767.13%.

FINANCIAL REVIEW

For the year ended 31 December 2022, the operating income of the Group prepared under the Accounting Standards for Business Enterprises of the PRC amounted to RMB12.795 billion, representing an increase of 9.63% compared with 2021. The audited net profit attributable to the Shareholders of the Company for the year amounted to RMB688 million, earnings per share was RMB0.4870 and earnings per share after deduction of non-recurring gains and losses was RMB-0.0562.

Key financial indicators	**2022**	2021	2020	2019	2018
Basic earnings per share (RMB/share)	**0.4870**	0.0562	2.5910	0.3879	-1.3223
Diluted earnings per share (RMB/share)	**0.4870**	0.0562	2.5910	0.3879	-1.3223
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	**-0.0562**	-0.0364	-0.2003	-0.7196	-1.2434
Weighted average return on equity (%)	**4.65**	0.53	30.74	5.49	-17.23
Weighted average return on equity after deduction of non-recurring gains and losses (%)	**-0.54**	-0.34	-2.38	-10.19	-16.64

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

Unit: Yuan Currency: RMB

Item	Current year	Last year	Percentage of change (%)
Operating income	12,795,124,917.87	11,671,593,523.47	9.63
Operating cost	11,916,904,737.86	10,477,171,518.32	13.74
Selling expenses	108,768,268.48	131,968,833.27	-17.58
Administrative expenses	547,623,575.01	483,915,651.95	13.17
Finance expenses	-449,418,514.31	-40,736,162.84	Not applicable
R&D expenses	576,251,544.72	617,470,169.63	-6.68
Net cash flows from operating activities	2,015,033,189.11	4,365,184,193.57	-53.84
Net cash flows from investing activities	3,471,984,760.39	-3,381,941,892.10	Not applicable
Net cash flows from financing activities	121,856,764.32	-1,265,815,567.34	Not applicable
Investment income	618,382,016.39	40,205,723.66	1,438.04
Gains from changes of fair value	-23,368,731.75	101,349,211.43	-123.06
Loss on impairment of credit (loss expressed with "–")	20,637,396.96	-36,905,728.89	Not applicable
Gain on disposal of assets	-1,904,345.08	5,363,414.13	-135.51
Non-operating income	8,275,062.68	18,758,139.54	-55.89
Non-operating expenses	2,974,975.19	7,767,943.26	-61.70
Income tax expenses	-9,911,746.70	10,959,588.14	-190.44

Reason for change in operating income: mainly due to the Group's continuous focus on production efficiency, steady increase in production output, and timely delivery of completed products.

Reason for change in operating cost: due to the increase in operating income led to an increase of the operating cost accordingly.

Reason for change in selling expenses: mainly due to the impact of the year-on-year decrease in the accrued warranty fees during the Reporting Period.

Reason for change in administrative expenses: mainly due to the impact of the year-on-year increase in the employee remuneration included in the administrative expenses during the Reporting Period.

Reason for change in finance expenses: mainly due to the combined impact of the continuous improvement in operating cash flow in the recent two years which led to the increase in capital stock during the Reporting Period and thus the increase in net interest receipt; and the increase in exchange income arising from the appreciation of the US dollars during the Reporting Period.

Reason for change in R & D expenses: mainly due to the combined impact of the conclusion of some scientific research projects, and the variances in scientific research projects and cost collection during the Reporting Period.

Reason for change in net cash flows from operating activities: mainly due to the uneven distribution of the time for collection of payment for the products. The progress payments received for ships during the Reporting Period decreased on a year-on-year basis, while the construction of previously received orders commenced in a gradual manner, resulting in the year-on-year increase in materials purchase expenditure. During the past two years, the Group has significant orders in hand, and has continuously improved its operating cash flow.

Reason for change in net cash flows from investing activities: mainly due to the impact of withdrawal of entrusted financial management products due during the Reporting Period, as well as the increase in three-month term time deposits which were reflected in the cash flow statement.

Reason for change in net cash flows from financing activities: mainly due to the impact of year-on-year increase in net borrowings from financial institutions according to production and operation requirements during the Reporting Period.

Reason for change in investment income: mainly due to the recognition of investment income of associates and joint ventures in the amount of RMB633 million during the Reporting Period, representing an increase of RMB621 million year-on-year.

Reason for change in gains from changes of fair value: mainly due to the impact of the year-on-year decrease in gains from changes of fair value of financial assets held-for-trading during the Reporting Period.

Reason for change in loss on impairment of credit: mainly due to the impact of changes in the aging structure of accounts receivables as at the end of the Reporting Period, with an increase in the proportion of accounts receivables aged within one year and a year-on-year decrease in the proportion of bad debt reserves accrued by the aging analysis method.

Reason for change in gain on disposal of assets: mainly due to the impact of year-on-year decrease in gain on disposal of fixed assets during the Reporting Period.

Reason for change in non-operating income: mainly due to the impact of a larger amount of compensation for contractual breach received last year.

Reason for change in non-operating expenses: mainly due to the impact of the net expenditure on insurance claims recognised last year.

Reason for change in income tax expenses: Mainly due to the impact of the year-on-year decrease in deferred income tax liabilities recognised due to the temporary difference between the book value and the taxation basis during the Reporting Period.

Analytical statement of assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Change of amount at the end of current period compared with that of the end of last period (%)	Description
Cash in bank and on hand	14,813,771,761.29	31.87	9,560,403,363.57	21.60	54.95	Increase in net product gains during the Reporting Period and transfer of the entrusted assets under management recovered upon maturity into cash in bank and on hand.
Financial assets held-for-trading	29,872,972.39	0.06	3,281,028,607.57	7.41	-99.09	Decrease in the balance of entrusted assets under management at the end of the Reporting Period.
Receivable financing	111,888,545.80	0.24	192,855,840.34	0.44	-41.98	Due to the expiry and settlement of reclassified notes receivable and electronic debt certificates of accounts receivables during the Reporting Period.
Prepayments	2,892,088,396.57	6.22	2,149,658,651.91	4.86	34.54	Increase in the balance of prepayments for materials and equipment at the end of the Reporting Period.
Other receivables	60,834,609.19	0.13	94,550,370.96	0.21	-35.66	Decrease in guarantee deposit balances on deposits at the end of the Reporting Period.
Short-term borrowings	2,881,008,138.92	6.20	1,914,936,125.56	4.33	50.45	Due to newly obtained current capital loans according to the needs of production and operation during the Reporting Period.

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Change of amount at the end of current period compared with that of the end of last period (%)	Description
Financial liabilities held-for-trading	5,919,716.73	0.01	–	–	Not applicable	At the end of the Reporting Period, the fair value recognised on certain financial derivatives held was negative.
Employee benefits payable	1,179,807.93	0.00	361,255.50	0.00	226.59	Increase in the yet-to-be paid labour union and employee education funds at the end of the Reporting Period.
Taxes payable	76,728,304.39	0.17	35,046,259.47	0.08	118.93	Increase in value-added tax payable after the cancellation of certain value-added tax exemption policies during the Reporting Period.
Other payables	273,196,896.59	0.59	185,245,553.74	0.42	47.48	Increase in deferred social insurance premium in accordance with the phased deferred social insurance premium policy during the Reporting Period.
Non-current liabilities due within one year	1,459,215,392.42	3.14	951,219,195.92	2.15	53.40	Increase in long-term borrowings due within one year at the end of the Reporting Period.
Long-term borrowings	2,230,247,510.00	4.80	3,189,417,299.77	7.21	-30.07	Repayment of the long-term borrowings due and increase in long-term borrowings due within one year at the end of the Reporting Period.
Lease liabilities	114,585,384.56	0.25	169,778,977.55	0.38	-32.51	Lease liabilities due within one year were reclassified to non-current liabilities due within one year at the end of the Reporting Period.

Information on principal business by industry, product and region

Unit: Yuan Currency: RMB

Principal business 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	12,583,224,796.39	11,763,984,038.35	6.51	9.86	13.48	Decrease of 2.98 percentage points
Principal business 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	7,879,946,903.05	7,279,156,144.02	7.62	-14.28	-12.77	Decrease of 1.60 percentage points
1. Bulk carriers	675,021,534.53	694,158,840.87	-2.84	269.89	432.70	Decrease of 31.43 percentage points
2. Container ships	2,336,177,056.93	2,090,255,832.53	10.53	13.79	12.18	Increase of 1.29 percentage points
3. Special ships and others	4,868,748,311.59	4,494,741,470.62	7.68	-30.01	-29.23	Decrease of 1.02 percentage points
(II) Offshore engineering products	1,075,091,736.55	964,523,063.83	10.28	202.01	172.84	Increase of 9.59 percentage points
(III) Steel structure engineering	1,534,669,498.95	1,461,735,412.47	4.75	-6.27	-0.05	Decrease of 5.93 percentage points
(IV) Maintenance and modification on ships	1,892,919,952.76	1,882,899,961.52	0.53	1,429.49	1,551.41	Decrease of 7.34 percentage points
(V) Electro-mechanical products and others	200,596,705.08	175,669,456.51	12.43	38.64	91.25	Decrease of 24.09 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)	11,272,758,976.03	10,469,045,467.78	7.13	1.62	4.14	Decrease of 2.25 percentage points
Other regions in Asia	34,414,243.40	25,743,801.37	25.19	-34.30	-29.94	Decrease of 4.66 percentage points
North America	1,070,591,175.83	1,067,426,828.87	0.30	292.39	341.21	Decrease of 11.03 percentage points
Africa	205,460,401.13	201,767,940.33	1.80	2,796.36	1,478.77	Increase of 81.96 percentage points
Principal business by sales model						
Sales model	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
Direct sales	12,583,224,796.39	11,763,984,038.35	6.51	9.86	13.48	Decrease of 2.98 percentage points

Note: the above sheet of "Principal business by region" is categorised based on the final region where the products are to be sold.

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

During the Reporting Period, the Group's total income from its principal business amounted to RMB12.583 billion, representing a year-on-year increase of 9.86%, mainly due to the Group's continuous focus on production efficiency, steady increase in production output, and timely delivery of completed products. The gross profit of its principal business amounted to RMB819 million, and gross profit margin was 6.51%, representing a year-on-year decrease of 2.98 percentage points, primarily because the shipbuilding products completed and delivered during the Reporting Period were mainly undertaken earlier when the steel price was low and the exchange rate was high; the fluctuation of exchange rates and the increase in raw materials prices and labour costs during the construction process resulted in the decrease in income on a per vessel basis and an increase in completion cost, leading to a year-on-year decrease in gross profit.

In terms of product mix, the proportion of income from shipbuilding and offshore engineering businesses decreased due to increase in the proportion of income from maintenance and modification on ships business during the Reporting Period, among which: income from shipbuilding and offshore engineering businesses accounted for 71.17%, representing a year-on-year decrease of 12.19 percentage points; income from maintenance and modification on ships business accounted for 15.04%, representing a year-on-year increase of 13.96 percentage points; and the proportion of income from steel structure engineering business and electro-mechanical products and other business remained stable as compared with that for the previous year, accounting for 12.20% and 1.59%, respectively. During the Reporting Period, the income and gross profit of each segment are as follows:

1) Shipbuilding business

Income from the shipbuilding business was RMB7.880 billion, representing a year-on-year decrease of 14.28%, and the gross profit margin was 7.62%, representing a year-on-year decrease of 1.6 percentage points. The main reason for the decrease in income was that with the expansion of market demand for maintenance and modification, the Group gradually expanded the scale of its maintenance and modification business during the Reporting Period, and the proportion of shipbuilding business decreased accordingly. The main reason for the decrease in gross profit was that the products completed and delivered during the Reporting Period were mainly undertaken earlier when the steel price was low and the exchange rate was high, and the overall gross profit margin of these products was relatively low.

2) Offshore engineering business

Income from the offshore engineering business was RMB1.075 billion, representing a year-on-year increase of 202.01%, and the gross profit margin was 10.28%, representing a year-on-year increase of 9.59 percentage points. The main reason for the increase in income and gross profit was that with the development of the offshore wind power industry, the market demand for wind power platforms has increased slightly, and the products undertaken by the Group during the Reporting Period were in the main construction stage.

3) Steel structure engineering business

Income from steel structure engineering business was RMB1.535 billion, representing a year-on-year decrease of 6.27%, and the gross profit margin was 4.75%, representing a year-on-year decrease of 5.93 percentage points. The decrease in income and gross profit was mainly due to the decrease in both income and gross profit margin as the Shenzhen-Zhongshan Bridge Project has reached the final stage during the Reporting Period. During the Reporting Period, the business in steel structure projects related to offshore wind power has developed rapidly, leading to a year-on-year increase in the output and related income.

4) Maintenance and modification on ships business

Income from the maintenance and modification on ships business was RMB1.893 billion, representing a year-on-year increase of 1,429.49%, and the gross profit margin was 0.53%, representing a year-on-year decrease of 7.34 percentage points. The main reason for the increase in income was that with the expansion of market demand for maintenance and modification, the Group gradually expanded the scale of its maintenance and modification business during the Reporting Period. The main reason for the decrease in gross profit was that the maintenance and modification business carried out during the Reporting Period was subject to relatively significant time constraints, and the expansion of scale led to concentration of labour demand, resulting in a lower gross profit margin.

5) Electro-mechanical products and other business

Income from electro-mechanical products and other business was RMB201 million, representing a year-on-year increase of 38.64%, and the gross profit margin was 12.43%, representing a year-on-year decrease of 24.09 percentage points. The increase in income was mainly due to the increase in revenue from non-ship products such as rudders; the decrease in gross profit was mainly due to the expiry of the lease income contract with higher gross profit margin, and the overall gross profit margin of the products tended to be stable.

By geographic region, during the Reporting Period, operating income from sales to the China market (including Hong Kong, Macau and Taiwan) stable as compared with the previous year, and the operating income from sales to foreign markets increased by RMB950 million, representing a year-on-year increase of 263.36%, mainly contributed by the income from sales of products to North America, of which, income from sales to other regions in Asia recorded decreases of 34.30% year-on-year, and no products were sold to Europe during the Reporting Period, while income from sales to North America and Africa recorded increases of 292.39% and 2,796.36% respectively, mainly because of the differences in terms of the remained geographical locations of customers of which the Company had orders on hand. The gross profit margin of products sold to China (including Hong Kong, Macau and Taiwan) decreased by 2.25 percentage points year-on-year to 7.13%, mainly due to a fall in gross profit of special ships and other types of ships and a low gross profit contribution from the maintenance and modification on ships business. The gross profit margin of products sold to other regions except China decreased by 11.91 percentage points year-on-year to 1.18%, mainly due to the low gross profit margin of the products sold to North America. The Group will leverage on its own advantages, act proactively and resolutely to fulfill its primary responsibility of building a strong military, closely follow up orders for military products, strengthen the management of civil products, and make every effort to develop the domestic and foreign markets.

Analytical statement of cost

Unit: RMB in ten thousand

By industry							
By industry	Cost composition	Amount of current period	Proportion of total cost this period (%)	Amount for the corresponding period of last year	Proportion of total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
Shipbuilding Industry	Direct materials	733,418.94	62.34	764,220.68	73.72	-4.03	
	Processing costs	463,958.57	39.44	299,218.33	28.86	55.06	
	Impairment loss	-20,979.11	-1.78	-26,774.77	-2.58	Not applicable	1)
By product							
By product	Cost composition	Amount of current period	Proportion of total cost this period (%)	Amount for the corresponding period of last year	Proportion of total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
Shipbuilding products	Direct materials	542,128.89	46.08	643,393.06	62.07	-15.74	
	Processing costs	195,559.02	16.62	191,967.34	18.52	1.87	
	Impairment loss	-9,772.30	-0.83	-883.22	-0.09	Not applicable	
Offshore engineering products	Direct materials	76,237.34	6.48	43,666.56	4.21	74.59	
	Processing costs	31,408.79	2.67	17,569.04	1.69	78.77	2)
	Impairment loss	-11,193.82	-0.95	-25,884.03	-2.50	Not applicable	
Steel structure engineering	Direct materials	56,169.79	4.77	73,256.12	7.07	-23.32	
	Processing costs	90,016.74	7.65	72,992.15	7.04	23.32	
	Impairment loss	-12.99	-0.00	–	–	Not applicable	
Maintenance and modification on ships	Direct materials	46,434.80	3.95	1,848.08	0.18	2,412.60	
	Processing costs	141,855.20	12.06	9,553.66	0.92	1,384.83	3)
	Impairment loss	–	–	–	–	Not applicable	
Electro-mechanical products and others	Direct materials	12,448.11	1.06	2,056.86	0.20	505.20	
	Processing costs	5,118.83	0.44	7,136.14	0.69	-28.27	4)
	Impairment loss	–	–	-7.52	–	Not applicable	
Total		1,176,398.40	100.00	1,036,664.24	100.00	13.48	

Note: The above table analyzes and fills out the cost components according to the Group's principal business by product, and the analysis is focused on the cost of principal business only.

Description on other cost analysis

1) The item of impairment loss was negative, mainly due to the asset impairment already provided was written off upon completion and sale of products that fulfilled the performance obligation at a point in time during the Reporting Period and had thus reduced the principal business costs. During the Reporting Period, the impairment provision for products under construction was RMB210 million, a year-on-year decrease of RMB58 million, mainly due to the year-on-year decrease in the impairment provision for the completed and saled products during the Reporting Period had already been provided for.

2) During the Reporting Period, the direct material costs of the offshore engineering product business segment amounted to RMB762 million, representing a year-on-year increase of 74.59%, and the processing cost was RMB314 million, representing a year-on-year increase of 78.77%, mainly due to the year-on-year increase in the income from each business segment and the corresponding increase in material consumption and processing costs during the Reporting Period.

3) During the Reporting Period, the maintenance and modification on ships business segment incurred RMB464 million in direct materials, representing a year-on-year increase of 2,412.60%, and processing costs amounted to RMB1,419 million, representing a year-on-year increase of 1,384.83%, mainly due to: on the one hand, the income of this business segment increased year-on-year during the Reporting Period, and the materials consumption and processing cost recorded a corresponding increase; on the other hand, the cost structure of products under construction in this business segment during the Reporting Period was different from that of the previous year, resulting in significant differences in materials consumption and processing cost.

4) During the Reporting Period, the costs of direct materials for mechanical and electrical products and other business segment were RMB124 million, representing a year-on-year increase of 505.20%, and the processing cost was RMB51 million, representing a year-on-year decrease of 28.27%, the difference of the movements in direct materials and processing costs is mainly due to the effect of the difference in the cost structure of products under construction in this business segment compared to that of the previous year.

Information of R&D expenses

Unit: RMB

R&D expenses recorded as expenses during the period	576,251,544.72
Capitalised R&D expenses for the current period	0
Total R&D expenses	576,251,544.72
Percentage of total R&D expenses over operating income (%)	4.50
Percentage of capitalised R&D expenses (%)	0

Information of R&D staff

Number of R&D staff of the Company	1,180
Number of R&D staff over total number of staff of the Company (%)	15.72
Education background of R&D staff	
Education background	Number of R&D staff
PhD candidate	12
Postgraduate	83
Undergraduate	1,003
Specialties	79
High school and below	3
Age structure of R&D staff	
Age category	Number of R&D staff
Under 30 years old	124
30-39 years old	668
40-49 years old	283
50-59 years old	100
60 years old and above	5

Explanation:

During the Reporting Period, the Group continued to lead development with innovation, improve and optimise the scientific and technological innovation mechanism, focusing on product research and development, production design, manufacturing processes, scientific research management and other fields. The Group completed 525 patent applications and obtained 293 patent authorisations, actively promoting innovation capacity building, and continuously improving its science and technology level.

EXTERNAL EQUITY INVESTMENT

As at the end of the Reporting Period, the balance of the Group's long-term equity investments was RMB5.576 billion, representing an increase of 12.59% from RMB4.953 billion as at the beginning of the Year, mainly due to the impact of increase in the income from investments in associates during the Reporting Period.

SIGNIFICANT ISSUES

1. Leasing

Unit: RMB in ten thousand Currency: RMB

Lessor Name	Lessee Name	Leased assets	Amount of leased assets	Date of commencement of lease	Date of expiry of lease	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether connected transaction or not	Relationship
Guangzhou 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	–	2018.11.1	The date on which the relocation is completed and production commences at the new plant	–	–	–	Yes	Sister company of the Group
Guangxin Shipbuilding & Heavy Industry Co., Ltd. (廣新海事重工股份有限公司)	Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Land, buildings and structures	–	2019.5.1	2022.4.30	–	–	–	No	–
Guangdong Guangxin Shipbuilding Trading Company Limited (廣東廣新船舶貿易有限公司)	Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Land, buildings and structures	–	2022.7.1	2024.4.30	–	–	–	No	–
Guangdong COSCO SHIPPING Heavy Industry Co., Ltd. (廣東中遠海運重工有限公司)	Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Land, buildings and structures	–	2021.7.9	2026.7.8	–	–	–	No	–

Description of leases

Guangzhou Ship Industrial Company Limited and CSSC Huangpu Wenchong Shipbuilding Company Limited ("**Huangpu Wenchong**", a subsidiary of the Company) entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Ship Industrial Company Limited shall lease its land use rights of 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 depreciated or amortized added taxes and fees. 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 Co., Ltd ("**Wenchong Shipyard**", a subsidiary of the Company) entered into a lease agreement in relation to land use rights, pursuant to which Guangzhou Wenchong Industrial Co., Ltd. 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 depreciated or amortized added taxes and fees. 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.

Guangxin Shipbuilding & Heavy Industry Co., Ltd. and Guangzhou Wenchuan Heavy Industrial Co. Ltd. ("**Wenchuan Heavy Industrial**", a subsidiary of the Company) entered into the Plant and Site Lease Contract, and leased part of the plant and site use rights in No. 32, Cuizhu Road, Cuiheng New District, Zhongshan City to Wenchuan Heavy Industrial for business use. The lease fee of the land use right is determined in accordance with the contract, and the rent is paid monthly in the form of monetary funds. The lease term of the aforementioned land use rights started from 1 May 2019 and ending on 30 April 2022. On 29 June 2022, Guangdong Guangxin Shipbuilding Trading Company Limited, a wholly-owned subsidiary of Guangxin Shipbuilding & Heavy Industry Co., Ltd., re-entered the Plant and Equipment Lease Contract as the owner of the subject with Wenchuan Heavy Industrial. The plant and equipment to be leased remain unchanged, the lease fee shall be determined in accordance with the contract, and the rent shall be paid monthly in the form of monetary funds. The lease term is extended to 30 April 2024.

Guangdong COSCO SHIPPING Heavy Industry Co., Ltd. and Wenchuan Heavy Industrial entered the Site and Equipment Leasing Contract, and leased part of the site and its ancillary equipment in Runfeng Road, Dasheng Industrial Zone, Mayong Town, Dongguan City, to Wenchuan Heavy Industrial for business use. The lease fee of the land use right is determined in accordance with the contract, and the rent is paid monthly in the form of monetary funds. The lease term of the aforementioned land use rights started from 9 July 2021 and ending on 8 July 2026.

2. Guarantees

Unit: RMB in ten thousand   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	60,000.00
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period	57,277.14
Total amount of guarantees	57,277.14
Total amount of guarantees as a percentage of the Company's net assets (%)	3.05
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio over 70%	18,277.14
Note on guarantees	During the Reporting Period, the Group provided guarantee with a total amount of RMB600 million to outside, and the content and amount of the Group's external guarantees were within the scope of limit set out in the framework for the guarantees as approved at the general meeting, and there was no overdue guarantee. At the end of the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB573 million, most of which were guarantees provided by the Company's controlling subsidiary Huangpu Wenchong to its subsidiary Wenchong Shipyard, Wenchuan Heavy Industrial and Guangzhou Huangchuan Ocean Engineering Co., Ltd.. The guarantees are comprehensive credit guarantee and financing project guarantee.

3. Provision for impairment

According to the test results, 9 single provisions for asset impairment of over RMB5 million, in aggregate RMB89,121,200, were made in the fourth quarter of 2022, which represented the provision for impairment of inventories made for 9 vessels of Huangpu Wenchong, due to the combined impact of exchange rate fluctuations and changes in estimated total costs. The full amount of the provision for impairment is prepared to be included in the Company's results of operations for 2022, reducing the Company's total profit before tax for 2022 by RMB89,121,200.

CAPITAL LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the Group had long-term borrowings of RMB2.230 billion, cash and cash equivalents prepared under the Accounting Standards for Business Enterprises of the PRC amounted to RMB11.070 billion.

CHARGES ON GROUP ASSETS

As at 31 December 2022, the Group had no fixed assets pledged for bank financing.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no significant contingent liabilities.

GEARING RATIO

As at 31 December 2022, the Company's gearing ratio was 59.66%.

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 government. The Group applies different rates of remuneration for different employees, which are determined based on their positions and performance pursuant to the relevant laws and regulations of the People's Republic of China (the "**PRC**"). There was no change during the Reporting Period.

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	100.00	0	–		–	0	1,413,506,378	100.00
1. Ordinary shares denominated in Renminbi	821,435,181	58.11	0	–		–	0	821,435,181	58.11
2. Domestic listed foreign shares	–	–	–	–		–	–	–	–
3. Overseas listed foreign shares	592,071,197	41.89	0	–		–	–	592,071,197	41.89
4. Others	–	–	–	–		–	–	–	–
II. Total number of ordinary shares	1,413,506,378	100.00	0	–		–	0	1,413,506,378	100.00

Class	Number	Percentage (%)
1. PRC listed domestic shares	821,435,181	58.11
(1) State-owned shares	481,337,700	34.05
(2) Ordinary shares denominated in Renminbi	340,097,481	24.06
2. Overseas listed foreign shares	592,071,197	41.89
Total	1,413,506,378	100.00

(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 of 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 AND 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 People's Republic of China (the "**Company Law**") and the Securities Law of the People's Republic of China, the relevant regulations issued by the China Securities Regulatory Commission (the "**CSRC**") and the rules governing the listing of securities on the Shanghai Stock Exchange and on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Stock Exchange Listing Rules**") by continuously improving its corporate governance structure and standardising its operations. During the Reporting Period, the Company's governance had no material inconsistencies from the Company Law and relevant regulations issued by the CSRC. The Company has adopted all applicable principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 of the Stock Exchange Listing Rules.

During the Reporting Period and up to 2 August 2022, the chairman of the Company was Mr. Han Guangde, who was mainly responsible for leading the Board in the development of overall development strategies of the Company and ensuring that the Board operating effectively in performing its duties, establishing sound corporate governance system and practices and that the Board acting in the best interests of the Company and its Shareholders as a whole. Mr. Chen Liping is the general manager of the Company and is mainly responsible for administrative affairs of the Company, including implementing the resolutions passed by the Board, establishing basic management rules and making decisions in respect of daily operation of the Company.

On 2 August 2022, Mr. Han Guangde, the former chairman of the Company, resigned from the positions of the Chairman and a Director of the tenth session of the Board of Directors, the chairman and a member of the strategy committee of the Board of Directors of the Company due to his retirement. Following his resignation, as at the date of this announcement, the Company has not yet held a shareholders' meeting to elect a new Director to replace the positions of the Chairman and and the chairman and a member of the strategy committee of the board of directors of the Company of Mr. Han Guangde, the former chairman. Therefore, the requirements of principle C.2 of the CG Code and the code provisions applicable to the chairman could not be complied with. Save for the above, during the Reporting Period, the Company had 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 Stock Exchange Listing Rules which prescribes that there shall be at least three independent non-executive Directors, and Rule 3.10A of the Stock Exchange 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 Stock Exchange Listing Rules. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Stock Exchange Listing Rules.

The Board comprised 10 Directors, including 2 executive Directors, 4 non-executive Directors and 4 independent non-executive Directors at the end of the Reporting Period. 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 Employees" in the 2022 annual report.

Audit Committee

The audit committee of the Board of the Company has reviewed and confirmed the annual results of the Group for the year ended 31 December 2022 and the financial accounting report for 2022 of the Company.

Outlook

1. Industry development

The total demand in the new shipbuilding market further drops. Influenced by factors such as the weakening global macroeconomic situation, the effectiveness of maritime rules and regulations, the limited shipping space resources in the shipbuilding industry and the high ship prices, the transaction volume of global orders for new ships is expected to reach approximately 71 million DWT in 2023, representing a year-on-year decrease of approximately 20%. Feeder container ships are facing centralized delivery, and the heat for placing orders continues to fall, but the demand for low-carbon and zero carbon ships will continue to increase.

The offshore engineering market tends to be improving as driven by high oil prices. Influenced by factors like the Russia-Ukraine conflict, international oil prices have reached a high level, oil and gas companies have increased investment, and offshore exploration and development activities have significantly resumed. The total global demand for new construction of offshore engineering equipment is expected to reach US$26 billion in 2023, representing a year-on-year increase of approximately 10%. From the perspective of equipment types, the demand for offshore engineering ships will continue to rise, certain new orders will be generated in the field of drilling platforms, and breeding engineering ships are expected to become a new hot spot.

The application industry is still in the policy window period and the golden development period. China is vigorously developing strategic emerging industries such as new energy, new materials, green and environmental protection, and intelligent manufacturing. In the future, the market development logic driven by the energy structure reform will become increasingly distinct. The offshore wind power business will have a broad prospect, while the new infrastructure fields such as industrial Internet will also face huge development opportunities. Due to the decline of wind turbine prices and the launch of new plans, offshore wind power will enter a rapid development period and continue to develop towards large-scale, deep-sea and floating type wind turbines. The "Wind Power+" diversified development will also provide new driving forces for the marine economy.

Remarks: The above information and data are sourced from China Shipbuilding Corporation Economic Research Center.

2. The Company's development strategy

The Group has established the strategic goal of becoming a leading international integrated marine business developer, and is committed to building high-quality marine equipment, to strengthen the military and serving the nation, by focusing on the marine industry and developing harmoniously to become a world-class listed marine equipment company with integrated research and development, manufacturing and services.

Facing the new normal of the development of the shipbuilding market, the Group adheres to the enterprise spirit of "innovation, efficiency, cooperation and win-win", follows the development concept of "devoting to both manufacturing and service", and actively builds up three major industrial layouts "marine defense equipment industry", "ship and offshore engineering equipment Industry" and "marine science and technology innovation and application industry", fully aligns with major strategies such as "Belt and Road", military-civilian integration development for the building a strong manufacturing country and a strong maritime country, focusing on "optimizing structure, deepening reform, and innovative development", promoting the expansion and extension of the traditional manufacturing industry in a more valuable direction, so as to strengthen and optimize the main business, vigorously expand emerging industries, accelerate the company's transformation and upgrading, and achieve high-quality development.

BUSINESS PLAN FOR 2023

In 2022, the Company recorded an operating income of RMB12.795 billion, completed 109.36% of the annual target; and secured orders with contract value of RMB14.35 billion, which was 125% of the annual target.

In 2023, the Company plans to realise operating income of RMB13.8 billion and to secure orders with contract value of RMB16.2 billion. The Company will actively adapt to new market trend and strengthen principal business operation; improve productivity and cost control; make more efforts on research and development of products to enhance the leading power of innovation, in order to achieve the 2023 business plan.

The business objectives above do not represent the profit forecast of the Group for 2023, nor do they constitute commitments 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.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group had no significant events after the Reporting Period which need to be disclosed.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement has been published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the Company's website (comec.cssc.net.cn). The Company's annual report for the year ended 31 December 2022 containing all the information required by the Stock Exchange 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 environmental, social and governance report of the Company for 2022 has been published on the website of the Company (comec.cssc.net.cn) on 30 March 2023 and versions in traditional Chinese and English will be published on the HKEXnews website of the Stock Exchange (www.hkexnews.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
Chen Liping
Executive Director

Guangzhou, 30 March 2023

As at the date of this announcement, the Board comprises nine Directors, namely executive Directors Mr. Chen Liping and Mr. Xiang Huiming; non-executive Directors Mr. Chen Ji, Mr. Gu Yuan and Mr. Ren Kaijiang; and independent non-executive Directors Mr. Yu Shiyou, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE ACCOUNTING STANDARDS OF THE PRC

(Amounts denominated in RMB unless otherwise specified)

CONSOLIDATED BALANCE SHEET

31 December 2022

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

Item	2022-12-31	2022-1-1
Current assets:		
Cash at bank and on hand	**14,813,771,761.29**	9,560,403,363.57
Financial assets held-for-trading	**29,872,972.39**	3,281,028,607.57
Derivative financial assets		
Notes receivable	**86,019,898.33**	82,331,260.05
Accounts receivable	**1,068,053,871.94**	1,077,732,663.76
Receivable financing	**111,888,545.80**	192,855,840.34
Prepayments	**2,892,088,396.57**	2,149,658,651.91
Other receivables	**60,834,609.19**	94,550,370.96
Inventories	**4,353,610,820.41**	4,922,901,059.95
Contract assets	**2,294,261,099.29**	2,542,443,559.33
Assets held-for-sale		
Non-current assets due within one year		
Other current assets	**134,733,999.65**	177,819,458.91
Total current assets	**25,845,135,974.86**	24,081,724,836.35
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables	**2,152,535,952.28**	2,371,139,998.94
Long-term equity investments	**5,576,276,499.57**	4,952,678,909.18
Other equity instrument investments	**4,911,318,677.22**	5,480,001,529.79
Other non-current financial assets		
Investment properties	**136,186,631.58**	142,724,056.62
Fixed assets	**5,354,647,353.76**	4,740,631,472.84
Construction in progress	**277,015,334.55**	229,186,214.27
Productive biological assets		
Oil and gas assets		
Right-of-use asset	**183,901,510.27**	189,367,500.07
Intangible assets	**910,432,718.07**	933,616,499.15
Research and development expenses		
Goodwill		
Long-term amortized expenses	**49,583,618.68**	51,236,644.02
Deferred tax assets	**346,379,500.55**	365,036,681.11
Other non-current assets	**736,372,873.26**	728,064,530.20
Total non-current assets	**20,634,650,669.79**	20,183,684,036.19
Total assets	**46,479,786,644.65**	44,265,408,872.54

Person in charge of the Company: **Chen Liping** Person in charge of accounting: **Hou Zengquan** Head of accounting department: **Xie Weihong**

CONSOLIDATED BALANCE SHEET (CONTINUED)
31 December 2022

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

Item	2022-12-31	2022-1-1
Current liabilities:		
Short-term borrowings	**2,881,008,138.92**	1,914,936,125.56
Financial liabilities held-for-trading	**5,919,716.73**	
Derivative financial liabilities		
Notes payable	**2,984,392,901.64**	2,524,645,592.26
Accounts payable	**4,541,444,942.07**	5,851,878,752.31
Advances from customers		
Contract liabilities	**11,979,592,304.12**	9,348,839,525.55
Employee benefits payable	**1,179,807.93**	361,255.50
Taxes payable	**76,728,304.39**	35,046,259.47
Other payables	**273,196,896.59**	185,245,553.74
Liabilities held-for-sale		
Non-current liabilities due within one year	**1,459,215,392.42**	951,219,195.92
Other current liabilities	**158,671,658.76**	202,747,908.16
Total current liabilities	**24,361,350,063.57**	21,014,920,168.47
Non-current liabilities:		
Long-term borrowings	**2,230,247,510.00**	3,189,417,299.77
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	**114,585,384.56**	169,778,977.55
Long-term payable		
Long-term employee benefits payable	**129,074,455.73**	152,165,220.45
Estimated liabilities	**136,750,611.11**	117,524,817.28
Deferred income	**87,673,373.52**	89,607,608.17
Deferred tax liabilities	**503,342,468.74**	664,220,819.92
Other non-current liabilities	**166,058,913.54**	196,955,482.65
Total non-current liabilities	**3,367,732,717.20**	4,579,670,225.79
Total liabilities	**27,729,082,780.77**	25,594,590,394.26

CONSOLIDATED BALANCE SHEET (CONTINUED)
31 December 2022

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

Item	2022-12-31	2022-1-1
Owners' equity:		
Share capital	**1,413,506,378.00**	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	**9,375,981,708.49**	9,393,552,318.37
Less: Treasury shares		
Other comprehensive income	**1,450,554,845.16**	1,863,752,512.56
Special reserve		
Surplus reserve	**1,111,646,419.34**	1,042,398,235.53
Provision for general risks		
Returned earnings	**2,236,341,205.82**	1,811,537,356.69
Total equity attributable to shareholders of the Company	**15,588,030,556.81**	15,524,746,801.15
Non-controlling interests	**3,162,673,307.07**	3,146,071,677.13
Total equity	**18,750,703,863.88**	18,670,818,478.28
Total liabilities and equity	**46,479,786,644.65**	44,265,408,872.54

Person in charge of the Company: **Chen Liping**

Person in charge of accounting: **Hou Zengquan**

Head of accounting department: **Xie Weihong**

BALANCE SHEET OF THE PARENT COMPANY
31 December 2022

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

Item	2022-12-31	2022-1-1
Current assets:		
Cash at bank and on hand	**1,431,102,333.93**	985,746,117.67
Financial assets held-for-trading		600,411,000.00
Derivative financial assets		
Notes receivable		
Accounts receivable	**4,859,222.94**	16,382,059.52
Receivables financing		
Prepayments		
Other receivables	**794,605.06**	301,242.19
Inventories	**24,909,034.04**	24,909,034.04
Contract assets		
Assets held-for-sale		
Non-current assets due within one year		
Other current assets	**20,817,863.40**	21,215,192.31
Total current assets	**1,482,483,059.37**	1,648,964,645.73
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	**7,162,989,992.29**	6,351,976,696.47
Other equity instrument investments	**4,845,786,728.48**	5,391,698,967.64
Other non-current financial assets		
Investment properties	**136,186,631.58**	142,724,056.62
Fixed assets	**4,642,135.34**	4,575,092.24
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use asset		75,849.49
Intangible assets		
Research and development expenses		
Goodwill		
Long-term amortized expenses		28,836.15
Deferred tax assets		
Other non-current assets		
Total non-current assets	**12,149,605,487.69**	11,891,079,498.61
Total assets	**13,632,088,547.06**	13,540,044,144.34

Item	2022-12-31	2022-1-1
Current liabilities:		
Short-term borrowings		
Financial liabilities held-for-trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	**22,976,208.62**	33,925,784.09
Advances from customers		
Contract liabilities	**24,173,111.03**	23,764,409.51
Employee benefits payable		
Taxes payable	**683,214.76**	410,928.33
Other payables	**909,391.83**	409,568.47
Liabilities held-for-sale		
Non-current liabilities due within one year		86,381.44
Other current liabilities		
Total current liabilities	**48,741,926.24**	58,597,071.84
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payable		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income		
Deferred tax liabilities	**496,975,882.12**	633,556,691.91
Other non-current liabilities		
Total non-current liabilities	**496,975,882.12**	633,556,691.91
Total liabilities	**545,717,808.36**	692,153,763.75
Owners' equity:		
Share capital	**1,413,506,378.00**	1,413,506,378.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	**8,583,595,088.21**	8,436,541,414.86
Less: Treasury shares		
Other comprehensive income	**1,491,982,474.20**	1,897,973,747.33
Special reserve		
Surplus reserve	**628,168,219.37**	558,920,035.56
Retained earnings	**969,118,578.92**	540,948,804.84
Total equity	**13,086,370,738.70**	12,847,890,380.59
Total liabilities and equity	**13,632,088,547.06**	13,540,044,144.34

Person in charge of the Company: **Chen Liping** Person in charge of accounting: **Hou Zengquan** Head of accounting department: **Xie Weihong**

CONSOLIDATED INCOME STATEMENT
2022

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

Item		2022	2021
I.	**Operating income**	**12,795,124,917.87**	11,671,593,523.47
	Less: Operating cost	**11,916,904,737.86**	10,477,171,518.32
	Taxes and surcharges	**20,370,240.77**	18,121,725.13
	Selling expense	**108,768,268.48**	131,968,833.27
	Administrative expense	**547,623,575.01**	483,915,651.95
	Research and development expense	**576,251,544.72**	617,470,169.63
	Finance expense	**-449,418,514.31**	-40,736,162.84
	Including: Interest expense	**153,074,603.42**	132,092,572.69
	Interest income	**442,027,156.82**	254,500,693.52
	Add: Other income	**129,516,534.94**	109,508,808.13
	Investment income (loss expressed with "-")	**618,382,016.39**	40,205,723.66
	Including: Income from investments in associates and joint ventures	**633,032,770.34**	11,966,548.56
	Net gain from exposure hedging (loss expressed with "-")		
	Gains from changes in fair value (loss expressed with "-")	**-23,368,731.75**	101,349,211.43
	Loss on impairment of credit	**20,637,396.96**	-36,905,728.89
	Loss on impairment of assets	**-123,040,789.01**	-99,044,532.95
	Gain from disposal of assets (loss expressed with "-")	**-1,904,345.08**	5,363,414.13
II.	**Operating profit (loss expressed with "-")**	**694,847,147.79**	104,158,683.52
	Add: Non-operating income	**8,275,062.68**	18,758,139.54
	Less: Non-operating expense	**2,974,975.19**	7,767,943.26
III.	**Total profit (total loss expressed with "-")**	**700,147,235.28**	115,148,879.80
	Less: Income tax expense	**-9,911,746.70**	10,959,588.14
IV.	**Net profit (net loss expressed with "-")**	**710,058,981.98**	104,189,291.66
	(I) By continuity of operations		
	1. Net profit from continuing operations (net loss expressed with "-")	**710,058,981.98**	104,189,291.66
	2. Net profit from discontinued operations (net loss expressed with "-")		
	(II) By ownership		
	1. Net profit attributable to shareholders of the Company	**688,391,027.99**	79,387,401.00
	2. Gain or loss attributable to minority interests	**21,667,953.99**	24,801,890.66

	Item	2022	2021
V.	**Net other comprehensive income after tax**	**-417,825,630.03**	1,168,225,697.65
	Net other comprehensive income after tax attributable to owners of the Company	**-412,472,782.29**	1,164,179,624.59
	(I) Other comprehensive income may that may not be subsequently reclassified to profit and loss	**-415,567,822.90**	1,165,034,081.59
	1. Change in remeasurement of defined benefit plans	**-281,416.02**	-248,025.15
	2. Other comprehensive income that may not be reclassified to profit or loss under equity method	**3,442,906.24**	1,146,560.52
	3. Change in fair value of investments in other equity instruments	**-418,729,313.12**	1,164,135,546.22
	4. Change in fair value of own credit risks		
	(II) Other comprehensive income that will be subsequently reclassified to profit or loss	**3,095,040.61**	-854,457.00
	1. Other comprehensive income that may not be reclassified to profit or loss under equity method		
	2. Change in fair value of other debt investment		
	3. Amount included in other comprehensive income on reclassification of financial assets		
	4. Provision of credit impairment of other debt investment		
	5. Cash flow hedges reserve		
	6. Exchange differences arising from translation of foreign currency financial statements	**3,095,040.61**	-854,457.00
	7. Other		
	Net other comprehensive income after tax attributable to minority interests	**-5,352,847.74**	4,046,073.06
VI.	**Total comprehensive income**	**292,233,351.95**	1,272,414,989.31
	Total comprehensive income attributable to shareholders of the Company	**275,918,245.70**	1,243,567,025.59
	Total comprehensive income attributable to minority interests	**16,315,106.25**	28,847,963.72
VII.	**Earnings per share:**		
	(I) Basic earnings per share	**0.4870**	0.0562
	(II) Diluted earnings per share	**0.4870**	0.0562

Person in charge of the Company: **Chen Liping**

Person in charge of accounting: **Hou Zengquan**

Head of accounting department: **Xie Weihong**

INCOME STATEMENT OF THE PARENT COMPANY

2022

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

Item		2022	2021
I.	**Operating income**	**13,093,200.00**	44,352,320.90
	Less: Operating cost	**6,537,425.04**	37,206,427.19
	Taxes and surcharges	**104,273.05**	1,444,610.97
	Selling expense		
	Administrative expense	**20,162,420.21**	19,853,810.46
	Research and development expense		
	Finance cost	**-24,164,900.23**	-22,662,801.88
	Including: Interest expense	**265.23**	6,301,151.93
	Interest income	**24,095,301.46**	29,670,564.50
	Add: Other income	**142,792.31**	10,973.41
	Investment income (loss expressed with "-")	**667,386,373.71**	23,979,623.53
	Including: Income from investment in associates and joint ventures	**660,516,716.23**	11,387,712.43
	Net gain from exposure hedging (loss expressed with "-")		
	Gain from change in fair value (loss expressed with "-")	**14,925,000.00**	15,684,000.00
	Credit impairment loss	**-526,672.25**	-384,234.43
	Asset impairment loss		
	Asset impairment gain (loss expressed with "-")		16,196,374.12
II.	**Operating profit (loss expressed with "-")**	**692,381,475.70**	63,997,010.79
	Add: Non-operating income	**0.85**	27,718.01
	Less: Non-operating expense	**2,388.50**	
III.	**Total profit (total loss expressed with "-")**	**692,379,088.05**	64,024,728.80
	Less: Income tax expense	**-102,750.00**	-428,500.00
IV.	**Net profit (net loss expressed with "-")**	**692,481,838.05**	64,453,228.80
	(I) Net profit from continuing operations (net loss expressed with "-")	**692,481,838.05**	64,453,228.80
	(II) Net profit from discontinued operations (net loss expressed with "-")		

Item	2022	2021
V. Net other comprehensive income after tax	**-405,991,273.13**	1,159,306,988.22
(I) Other comprehensive income that may not be subsequently reclassified to profit and loss	**-405,991,273.13**	1,159,306,988.22
1. Change in remeasurement of defined benefit plans		
2. Other comprehensive income that may not be reclassified to profit or loss under equity method	**3,442,906.24**	1,146,560.52
3. Change in fair value of investments in other equity instruments	**-409,434,179.37**	1,158,160,427.70
4. Change in fair value of own credit risks		
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Change in fair value of other debt investment		
3. Amount included in other comprehensive income on reclassification of financial assets		
4. Provision of credit impairment of other debt investment		
5. Cash flow hedges reserve		
6. Exchange differences arising from translation of foreign currency financial statements		
7. Other		
VI. Total comprehensive income	**286,490,564.92**	1,223,760,217.02
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Person in charge of the Company: **Chen Liping** Person in charge of accounting: **Hou Zengquan** Head of accounting department: **Xie Weihong**

CONSOLIDATED CASH FLOW STATEMENT

2022

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

Item	2022	2021
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**16,379,707,572.25**	17,986,787,852.39
Cash received from tax refund	**468,023,031.78**	643,932,919.39
Other cash receipts relating to operating activities	**1,071,939,157.90**	924,056,761.97
Sub-total of cash inflows from operating activities	**17,919,669,761.93**	19,554,777,533.75
Cash paid for goods and services	**14,048,015,073.68**	13,390,652,916.20
Cash paid to and on behalf of employees	**1,175,240,433.42**	1,177,701,721.46
Payments of taxes	**72,400,094.46**	28,021,435.94
Other cash payments relating to operating activities	**608,980,971.26**	593,217,266.58
Sub-total of cash outflows from operating activities	**15,904,636,572.82**	15,189,593,340.18
Net cash flow from operating activities	**2,015,033,189.11**	4,365,184,193.57
II. Cash flows from investing activities:		
Cash receipts from disposal of investments	**4,749,209,297.49**	1,204,000,000.00
Cash receipts from investment income	**115,140,984.44**	149,720,736.67
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**140,842,385.11**	3,091,101.55
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities	**7,517,306,100.79**	358,553,107.42
Sub-total of cash inflows from investing activities	**12,522,498,767.83**	1,715,364,945.64
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**240,729,920.18**	293,665,566.01
Cash paid for investments	**2,209,692,000.00**	3,451,375,210.48
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	**6,600,092,087.26**	1,352,266,061.25
Sub-total of cash outflows from investing activities	**9,050,514,007.44**	5,097,306,837.74
Net cash flow from investing activities	**3,471,984,760.39**	-3,381,941,892.10

Item		2022	2021
III.	**Cash flows from financing activities:**		
	Cash receipts from receiving investments	**286,000.00**	7,534.52
	Including: Cash received by subsidiaries from receiving investments made by minority interest	**286,000.00**	7,534.52
	Cash receipts from borrowings obtained	**4,426,409,495.80**	3,642,998,132.80
	Other cash receipts relating to financing activities		83,200,000.00
	Sub-total of cash inflows from financing activities	**4,426,695,495.80**	3,726,205,667.32
	Cash paid for repayment of debts	**3,959,282,445.30**	4,631,400,000.00
	Cash paid for dividends, profit distribution or interest expenses	**335,555,704.24**	357,372,134.01
	Including: Dividends and profits paid by subsidiaries to minority interests		
	Other cash payments relating to financing activities	**10,000,581.94**	3,249,100.65
	Sub-total of cash outflows from financing activities	**4,304,838,731.48**	4,992,021,234.66
	Net cash flow from financing activities	**121,856,764.32**	-1,265,815,567.34
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**44,049,015.05**	-19,732,285.47
V.	**Net increase in cash and cash equivalents**	**5,652,923,728.87**	-302,305,551.34
	Add: Beginning balance of cash and cash equivalents	**5,417,061,556.97**	5,719,367,108.31
VI.	**Ending balance of cash and cash equivalents**	**11,069,985,285.84**	5,417,061,556.97

Person in charge of the Company: **Chen Liping** Person in charge of accounting: **Hou Zengquan** Head of accounting department: **Xie Weihong**

CASH FLOW STATEMENT OF THE COMPANY

2022

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

Item		2022	2021
I.	**Cash flows from operating activities:**		
	Cash received from sale of goods or rendering of services	**15,733,420.72**	28,950,419.51
	Cash received from tax refund		
	Other cash receipts relating to operating activities	**11,353,958.64**	5,525,048.79
	Sub-total of cash inflows from operating activities	**27,087,379.36**	34,475,468.30
	Cash paid for goods and services	**1,201,286.26**	15,346,923.51
	Cash paid to and on behalf of employees	**10,859,668.77**	11,604,586.04
	Payments of taxes	**498,031.21**	1,990,737.97
	Other cash payments relating to operating activities	**19,355,454.61**	10,576,398.80
	Sub-total of cash outflows from operating activities	**31,914,440.85**	39,518,646.32
	Net cash flow from operating activities	**-4,827,061.49**	-5,043,178.02
II.	**Cash flows from investing activities:**		
	Cash receipts from disposal of investments	**640,000,000.00**	670,000,000.00
	Cash receipts from investment income	**22,205,657.48**	29,989,911.10
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**2,910.00**	255,674,667.18
	Net cash received from disposal of subsidiaries and other business units		
	Other cash receipts relating to investing activities	**915,099,930.56**	844,991,924.38
	Sub-total of cash inflows from investing activities	**1,577,308,498.04**	1,800,656,502.66
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**626,000.54**	128,699,180.14
	Cash paid for investments	**40,000,000.00**	600,000,000.00
	Net cash paid for acquisition of subsidiaries and other business units		
	Other cash payments relating to investing activities	**550,000,000.00**	500,000,000.00
	Sub-total of cash outflows from investing activities	**590,626,000.54**	1,228,699,180.14
	Net cash flow from investing activities	**986,682,497.50**	571,957,322.52

III. Cash flows from financing activities:		
Cash receipts from receiving investments		
Cash receipts from borrowings obtained		
Other cash receipts relating to financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for repayment of debts		600,000,000.00
Cash paid for dividends, profit distribution or interest expenses	**194,615,421.05**	241,204,084.54
Other cash payments relating to financing activities	**90,979.00**	1,085,009.00
Sub-total of cash outflows from financing activities	**194,706,400.05**	842,289,093.54
Net cash flow from financing activities	**-194,706,400.05**	-842,289,093.54
IV. Effect of change in foreign exchange rate on cash and cash equivalents	**127,206.97**	-644,113.51
V. Net increase in cash and cash equivalents	**787,276,242.93**	-276,019,062.55
Add: Beginning balance of cash and cash equivalents	**66,939,423.22**	342,958,485.77
VI. Ending balance of cash and cash equivalents	**854,215,666.15**	66,939,423.22

Person in charge of the Company: **Chen Liping** Person in charge of accounting: **Hou Zengquan** Head of accounting department: **Xie Weihong**

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 issued by China Securities Regulatory Commission (the "CSRC"), the applicable disclosures required by regulations of 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 "III. Significant Accounting Policies and Accounting Estimates" to the Notes of Financial Statements.

(2) Going Concern

The management of the Company has assessed its ability to operate on a continuing basis for the 12 months from 31 December 2022 and is of the view that existing financial position should be sufficient to meet the production and operation of the Group. As such, these financial statements are prepared on going concern basis.

II. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements have been prepared by the Group comply with the requirements of the Accounting Standards for Business Enterprise and reflect a true and fair view of the financial position, the operating results and cash flows of the Company and the Group.

III. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Changes in significant accounting policy

There is no changes in the Group's significant accounting policy for this period.

2. Changes in significant accounting estimates

There is no changes in the Group's significant accounting estimates for this period.

IV. TAX

1. Main taxes and rates

Type	Tax basis	Tax rate
Chinese Companies:		
– Value-added tax Note	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	13%
		9%
		6%
– Urban maintenance and construction tax	Based on value-added tax and consumption taxes paid	7%
– Educational surcharge	Based on value-added tax and consumption taxes paid	3%
– Local education surcharge	Based on value-added tax and consumption taxes paid	2%
– Enterprise income tax	Based on taxable profits	15%, 20%, 25%
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 (Ministry of Finance, State Taxation Administration and General Administration of Customs [2019] No. 39):

(1) Revenue from export: The Group is an enterprise engaged in production and operation. Tax relief, credit and rebate policy is applicable to all of its self-produced goods for export. The tax rebate rate is 13% for ship products and 9% for steel structure products.

(2) Revenue from software: In accordance with the Circular of the State Administration of Taxation of the Ministry of Finance on the Value-added Tax Policy of Software Products (Cai Shui [2011] No. 100), for sales of self-developed software by a value-added tax general taxpayer, the portion of actual value-added tax burden in excess of 3% may be recovered upon payment in accordance with the relevant policy.

(3) According to the relevant regulations of the "Announcement on the Policies Concerning the Deepening of Value-Added Tax Reform" (Announcement of the Ministry of Finance, State Administration of Taxation and General Administration of Customs [2019] No. 39), Announcement on the Clarification of the Policy on Value-added Tax Credit for the Living Service Industry (Announcement of the Ministry of Finance and State Administration of Taxation [2019] No. 87) and Announcement on the Policy on Value-Added Tax for the Relief and Development of Difficult Industries in the Service Industry (Announcement of the Ministry of Finance and State Administration of Taxation [2022] No. 11), some of the subsidiaries of the Group, as production and life service companies, will be deductible input VAT plus 10% from 1 April 2019 to 31 December 2021, deducting VAT payables.

Notes on taxpayers subject to different enterprise income tax rates:

Name of entity	Tax rate	Remarks
The Company	25%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Guangzhou CSSC Wenchong Shipyard Co., Ltd.	15%	
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	25%	
Guangzhou Wenchuan Heavy Industrial Co. Ltd.	15%	
CSSC Industrial Internet Co., Ltd.	15%	
WAH SHUN INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
WAH LOONG INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
WAN SHENG INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
WAN XIANG INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
WAN XING INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
WAN RUI INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
WAN YU INTERNATIONAL MARINE LIMITED	16.5%	Incorporated in Hong Kong
CSSC (Guangzhou) New Energy Co., Ltd.	20%	Small low-profit enterprise
Guangxi Wenchuan Heavy Industrial Co., Ltd.	20%	Small low-profit enterprise
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprise
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	20%	Small low-profit enterprise
Guangzhou Xingji Maritime Engineering Design Co., Ltd	20%	Small low-profit enterprise
HuaCheng (TianJin) Ship Leasing Co., Ltd.	20%	Small low-profit enterprise
HuaXin (TianJin) Ship Leasing Co., Ltd.	20%	Small low-profit enterprise

2. Preferential taxation treatment

(1) Enterprise income tax

Huangpu Wenchong obtained the Hi-tech Enterprise Certificate on 20 December 2021, with the Certificate No.: GR202144007063, which is valid until 19 December 2024. Huangpu Wenchong paid its enterprise income tax at a rate of 15%.

Wenchong Shipyard obtained the Hi-tech Enterprise Certificate on 2 December 2022, with the Certificate No.: GR202244010062, which is valid until 1 December 2025. Wenchong Shipyard paid its enterprise income tax at a rate of 15%.

Wenchuan Heavy Industry obtained the Hi-tech Enterprise Certificate on 31 December 2021, with the Certificate No.: GR202144012793, which is valid until 30 December 2024. Wenchuan Heavy Industry paid its enterprise income tax at a rate of 15%.

CSSC Internet obtained the Hi-tech Enterprise Certificate on 20 December 2021, with the Certificate No.: GR202144002423, which is valid until 19 December 2024. CSSC Internet paid its enterprise income tax at a rate of 15%.

CSSC New Energy, Guangxi Heavy Industrial, Zhanjiang Nanhai, Wenchong Bingshen, Xingji, HuaCheng and HuaXin, all being the subsidiaries of the Company are small low-profit enterprises, according to the Announcement of the State Administration of Taxation No. 8 of 2021 "Announcement on Matters Relating to the Implementation of Preferential Income Tax Policies to Support the Development of Small Low-Profit Enterprises and Individual Entrepreneurs", from 1 January 2021 to 31 December 2022, the portion of the annual taxable income of small low-profit enterprises not exceeding RMB1 million will be reduced by 12.5% of the taxable income and subject to enterprise income tax at a tax rate of 20%.

V. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

For the following financial statement data, unless otherwise noted, "Beginning Balance" refers to the balance as at 1 January 2022; and "Ending Balance" refers to the balance as at 31 December 2022. "Current Year" refers to the period from 1 January 2022 to 31 December 2022; "Last Year" refers to the period from 1 January 2021 to 31 December 2021. The currency is in RMB.

1. Notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	13,400,688.56	13,695,748.00
Finance company acceptance bills	72,619,209.77	14,335,512.05
Commercial acceptance bills		54,300,000.00
Total	**86,019,898.33**	**82,331,260.05**

1) Notes receivable pledged as at the end of the year

Item	Amount pledged as at the end of year
Bank acceptance bills	
Finance company acceptance bills	22,469,820.40
Commercial acceptance bills	
Total	**22,469,820.40**

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

Item	Amount derecognized as at the end of year	Amount not derecognized as at the end of year
Bank acceptance bills		13,000,000.00
Finance company acceptance bills		23,075,017.85
Commercial acceptance bills		
Total		**36,075,017.85**

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

4) Disclosure by the provision method

Type	Ending balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts is made on a collective basis	86,019,898.33	100.00			86,019,898.33
Including: Due within one year	86,019,898.33	100.00			86,019,898.33
Total	**86,019,898.33**	/		/	**86,019,898.33**

Type	Beginning balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts is made on a collective basis	82,331,260.05	100.00			82,331,260.05
Including: Due within one year	82,331,260.05	100.00			82,331,260.05
Total	**82,331,260.05**	/		/	**82,331,260.05**

2. Accounts receivable

1) The ageing analysis of accounts receivable as at the transaction date is as follows

Ageing	Ending balance	Beginning balance
Within 1 year	872,596,133.00	718,694,023.43
1-2 years	125,944,161.53	298,261,116.16
2-3 years	88,335,853.28	80,017,346.05
3-4 years	2,245,358.18	32,692,246.56
4-5 years	10,822,918.40	1,187,971.86
Over 5 years	1,187,971.86	
Subtotal	1,101,132,396.25	1,130,852,704.06
Less: Provision for bad debts	33,078,524.31	53,120,040.30
Total	**1,068,053,871.94**	**1,077,732,663.76**

2) Credit period of accounts receivable

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

3) Disclosure of accounts receivable by method of bad debt provision

Type	Ending balance				
	Book balance		Provision for bad debts		Net amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis					
Including: Accounts receivable of which the credit risk has significantly increased since initial recognition					
Provision for bad debts is made on a collective basis	1,101,132,396.25	100.00	33,078,524.31	3.00	1,068,053,871.94
Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	1,101,132,396.25	100.00	33,078,524.31	3.00	1,068,053,871.94
Total	**1,101,132,396.25**		**33,078,524.31**		**1,068,053,871.94**

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					
Including: Accounts receivable of which the credit risk has significantly increased since initial recognition					
Provision for bad debts is made on a collective basis	1,130,852,704.06	100.00	53,120,040.30	4.70	1,077,732,663.76
Including: Accounts receivable of which the risk has not significantly increased since initial recognition	1,130,852,704.06	100.00	53,120,040.30	4.70	1,077,732,663.76
Total	**1,130,852,704.06**		**53,120,040.30**		**1,077,732,663.76**

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

None

b) Accounts receivable for which the provision for bad debts is made on a portfolio basis

Types of portfolio	Ending balance Accounts receivable	Provision for bad debts	Percentage of provision (%)
Related Parties portfolio	38,743,985.94		
Portfolio of government units and public institutions	254,359,597.18		
Aging portfolio	808,028,813.13	33,078,524.31	4.09
Total	**1,101,132,396.25**	**33,078,524.31**	

The details of the aging portfolio are as follows:

Ageing	Ending balance Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within 1 year (1 year inclusive)	643,317,391.14	667,483.59	0.10
1-2 years	98,412,445.73	9,841,244.56	10.00
2-3 years	61,413,958.45	18,424,187.54	30.00
3-4 years	1,959,212.90	1,567,370.32	80.00
4-5 years	1,737,833.05	1,390,266.44	80.00
Over 5 years	1,187,971.86	1,187,971.86	100.00
Total	**808,028,813.13**	**33,078,524.31**	

4) Provision for bad debts

Type	Beginning balance	Change for the year Provision made	Recovered or reversed	Offset or Write-off	Ending balance
Provision for bad debts of accounts receivable	53,120,040.30	-20,041,515.99			33,078,524.31
Total	**53,120,040.30**	**-20,041,515.99**			**33,078,524.31**

Of which, the amount of bad debt reserves recovered or reversed in the current year is significant: None

5) Accounts receivable written-off during the year

None

6) Top five accounts receivable by ending balance of debtors

Name of entity	Ending balance	Percentage of ending balance of total accounts receivable (%)	Ending balance of provision for bad debts
Unit 1	233,810,109.87	21.23	
Unit 2	158,625,675.62	14.41	2,042,738.11
Unit 3	142,107,000.00	12.91	
Unit 4	69,343,177.35	6.30	
Unit 5	42,291,689.65	3.84	12,687,506.90
Total	**646,177,652.49**	**58.69**	**14,730,245.01**

7) Accounts receivables derecognized 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	815,586,951.54	837,973,592.50
Finance company acceptance bills	1,532,362,702.99	1,339,932,535.13
Commercial acceptance bills	636,443,247.11	346,739,464.63
Total	**2,984,392,901.64**	**2,524,645,592.26**

Other explanations:

Total notes payable due and unpaid as at the end of the year amounted to RMB0 (RMB0 as at the beginning of the year).

Among the above notes payable of the Group as at the end of the year, RMB 2,984,392,901.64 had an ageing of less than 180 days, and RMB0 had an ageing of 181-360 days.

4. Accounts payable

1) List of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	3,363,113,360.88	4,630,638,571.97
Payment for projects under construction	103,896,678.80	105,650,476.71
Retention money	607,774,570.24	634,496,577.80
Other construction and labour services	466,660,332.15	481,093,125.83
Total	**4,541,444,942.07**	**5,851,878,752.31**

2) Ageing analysis of accounts payable based on the transaction date

Ageing	Ending balance	Beginning balance
Within one year	2,898,973,831.53	4,203,605,565.16
1-2 years	722,405,286.28	497,879,913.84
2-3 years	157,953,524.07	530,647,803.84
Over 3 years	762,112,300.19	619,745,469.47
Total	**4,541,444,942.07**	**5,851,878,752.31**

Of which, significant accounts payable aged over one year:

Item	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
Systems Engineering Research Institute of China Shipbuilding Group Co., Ltd.	679,214,121.65	86,668,934.20	Tentative estimation of arrears and deposit
Aviation Technology Research Institute of China Aerospace Science and Industry	145,775,500.00	119,058,400.00	Tentative estimation of arrears and deposit
Guangzhou Wenchong Industrial Co., Ltd.	126,222,985.38	109,507,453.79	Tentative estimation of arrears and deposit
Nanjing Keruida Electronic Equipment Co., Ltd.	101,282,774.00	97,774,400.00	Tentative estimation of arrears and deposit
China Shipbuilding Group Co., Ltd. No. 704 Research Institute	98,548,537.11	77,181,127.11	Tentative estimation of arrears and deposit
China Shipbuilding Group Co., Ltd. No. 715 Research Institute	94,977,600.00	81,797,600.00	Tentative estimation of arrears and deposit
China Electronics Technology Group Corporation No. 29 Research Institute	87,660,000.00	30,260,000.00	Tentative estimation of arrears and deposit
Guangzhou Ship Industrial Co., Ltd.	54,715,209.47	45,133,114.42	Tentative estimation of arrears and deposit
CASIC Group No. 3 Research Institute	47,879,600.00	47,879,600.00	Tentative estimation of arrears and deposit
AECC Harbin Dongan Engine Co., Ltd.	43,696,000.00	28,508,000.00	Tentative estimation of arrears and deposit
Guangzhou Shipyard International Company Limited	31,178,347.54	17,176,212.67	Tentative estimation of arrears and deposit
China United Shipbuilding Company Limited	27,342,947.03	27,342,947.03	Tentative estimation of arrears and deposit
China Shipbuilding Group Co., Ltd. No. 709 Research Institute	22,728,270.00	15,326,910.00	Tentative estimation of arrears and deposit
Wenzhou Bohong Electric Co., Ltd	19,673,429.58	19,673,429.58	Tentative estimation of arrears and deposit
CNR (Dalian) Diesel & Special Hudong Co., Ltd.	17,306,666.67	17,306,666.67	Tentative estimation of arrears and deposit
Total	**1,598,201,988.43**	**820,594,795.47**	

5. Retained earnings

Item	Current year	Last year
Undistributed profit as at the end of last year before adjustment	1,811,537,356.69	1,973,789,791.39
Add: Undistributed profit adjustment at the beginning of the year		
Including: Retroactive adjustment of new applications of the Accounting Standards for Business Enterprises		
Changes in accounting policies		
Correction of significant errors in previous period		
Changes in the scope of merger under the same control		
Other adjustments		
Undistributed profit at the beginning of the year after adjustment	1,811,537,356.69	1,973,789,791.39
Add: Net profit attributable to owners of the Company for the year	688,391,027.99	79,387,401.00
Add: Transfer from other comprehensive income to retained earnings	724,885.11	-552,454.07
Less: Statutory surplus reserve set aside	69,248,183.81	6,445,322.88
Dividends payable on ordinary shares	195,063,880.16	234,642,058.75
Retained earnings profit at the end of the year	**2,236,341,205.82**	**1,811,537,356.69**

Note: The retained earnings carried forward from other comprehensive income for the year represents the internal transfer of owners' equity from the disposal of Bank of Communications shares by Wenchong Shipyard.

6. Net current assets

Item	Ending balance	Beginning balance
Current assets	25,845,135,974.86	24,081,724,836.35
Less: Current liabilities	24,361,350,063.57	21,014,920,168.47
Net current assets	**1,483,785,911.29**	**3,066,804,667.88**

7. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	46,479,786,644.65	44,265,408,872.54
Less: Current liabilities	24,361,350,063.57	21,014,920,168.47
Total assets less current liabilities	**22,118,436,581.08**	**23,250,488,704.07**

8. Operating income & Operating costs

Item	Amount for the year	Amount for last year
Revenue from principal business	12,583,224,796.39	11,453,902,217.84
Income from other business	211,900,121.48	217,691,305.63
Total	**12,795,124,917.87**	**11,671,593,523.47**
Costs of principal business	11,763,984,038.35	10,366,642,431.75
Costs of other business	152,920,699.51	110,529,086.57
Total	**11,916,904,737.86**	**10,477,171,518.32**

Gross profit from principal business

Item	Current year	Last year
Revenue from principal business	12,583,224,796.39	11,453,902,217.84
Costs of principal business	11,763,984,038.35	10,366,642,431.75
Gross profit	819,240,758.04	1,087,259,786.09

(1) Principal business – by product

Product name	Current year	Last year
Revenue from principal business		
Ship products	7,879,946,903.05	9,192,161,750.22
Including:	—	—
Bulk carriers	675,021,534.53	182,491,521.30
Container ships	2,336,177,056.93	2,053,096,594.81
Special ships and others	4,868,748,311.59	6,956,573,634.11
Offshore engineering product	1,075,091,736.55	355,974,410.42
Steel structure	1,534,669,498.95	1,637,312,924.50
Ship maintenance and modification	1,892,919,952.76	123,761,391.82
Electro-mechanical products and others	200,596,705.08	144,691,740.88
Total	**12,583,224,796.39**	**11,453,902,217.84**
Costs of principal business		
Ship products	7,279,156,144.02	8,344,771,756.77
Including:		
Bulk carriers	694,158,840.87	130,309,356.51
Containerships	2,090,255,832.53	1,863,323,558.88
Special ships and others	4,494,741,470.62	6,351,138,841.38
Offshore engineering product	964,523,063.83	353,515,715.23
Steel structure	1,461,735,412.47	1,462,482,685.05
Ship maintenance and modification	1,882,899,961.52	114,017,465.52
Electro-mechanical products and others	175,669,456.51	91,854,809.18
Total	**11,763,984,038.35**	**10,366,642,431.75**

(2) Principal business – by region

Region	Current year	Last year
Revenue from principal business		
China (including Hong Kong, Macau and Taiwan)	11,272,758,976.03	11,093,245,088.12
Other regions in Asia	34,414,243.40	52,384,684.37
Europe		28,339,649.43
North America	1,070,591,175.83	272,839,049.12
Africa	205,460,401.13	7,093,746.80
Total	**12,583,224,796.39**	**11,453,902,217.84**
Costs of principal business		
China (including Hong Kong, Macau and Taiwan)	10,469,045,467.78	10,053,212,631.75
Other regions in Asia	25,743,801.37	36,745,705.22
Europe		21,974,484.65
North America	1,067,426,828.87	241,929,531.31
Africa	201,767,940.33	12,780,078.82
Total	**11,763,984,038.35**	**10,366,642,431.75**

(3) Other operating income and other operating costs

Product name	Current year	Last year
Income from other business		
Sale of materials	116,410,678.13	103,880,516.80
Rental income	69,630,399.54	80,130,495.08
Energy income	4,718,303.67	7,145,934.60
Others	21,140,740.14	26,534,359.15
Total	**211,900,121.48**	**217,691,305.63**
Costs of other business		
Sale of materials	106,246,805.98	88,077,313.57
Rental income	36,990,986.96	9,381,405.23
Energy income	3,711,877.34	6,324,694.05
Others	5,971,029.23	6,745,673.72
Total	**152,920,699.51**	**110,529,086.57**

(4) Information on revenue from contracts

Breakdown of contracts	Shipbuilding and related business segments	Steel structure business segments	Ship maintenance and related business segments	Other segments	Total
Product types:					
Ship products	7,879,946,903.05				7,879,946,903.05
Offshore engineering products	1,075,091,736.55				1,075,091,736.55
Steel structure		1,534,669,498.95			1,534,669,498.95
Ship maintenance and modification			1,892,919,952.76		1,892,919,952.76
Electromechanical products and others				200,596,705.08	200,596,705.08
Other business				211,900,121.48	211,900,121.48
Total	**8,955,038,639.60**	**1,534,669,498.95**	**1,892,919,952.76**	**412,496,826.56**	**12,795,124,917.87**
By region of operation:					
Domestic	7,685,115,093.35	1,534,669,498.95	1,892,919,952.76	371,954,552.45	11,484,659,097.51
Overseas	1,269,923,546.25			40,542,274.11	1,310,465,820.36
Total	**8,955,038,639.60**	**1,534,669,498.95**	**1,892,919,952.76**	**412,496,826.56**	**12,795,124,917.87**
Type of market or customer:					
State-owned enterprise	5,377,081,820.38	1,422,864,398.10	1,883,831,447.98	233,745,310.41	8,917,522,976.87
Private enterprise	1,048,034,226.67	111,805,100.85	9,088,504.78	138,209,242.04	1,307,137,074.34
Foreign enterprise	2,529,922,592.55			40,542,274.11	2,570,464,866.66
Total	**8,955,038,639.60**	**1,534,669,498.95**	**1,892,919,952.76**	**412,496,826.56**	**12,795,124,917.87**
Contract types:					
Fixed price	8,955,038,639.60	1,534,669,498.95	1,892,919,952.76	412,496,826.56	12,795,124,917.87
Cost bonus					
Total	**8,955,038,639.60**	**1,534,669,498.95**	**1,892,919,952.76**	**412,496,826.56**	**12,795,124,917.87**
By date of transfer of goods:					
Performance over time	7,140,070,750.90	997,637,918.00		13,093,200.00	8,150,801,868.90
Performance at a point of time	1,814,967,888.70	537,031,580.95	1,892,919,952.76	399,403,626.56	4,644,323,048.97
Total	**8,955,038,639.60**	**1,534,669,498.95**	**1,892,919,952.76**	**412,496,826.56**	**12,795,124,917.87**
By contract term:					
Short term	1,814,967,888.70	537,031,580.95	1,892,919,952.76	399,403,626.56	4,644,323,048.97
Long term	7,140,070,750.90	997,637,918.00		13,093,200.00	8,150,801,868.90
Total	**8,955,038,639.60**	**1,534,669,498.95**	**1,892,919,952.76**	**412,496,826.56**	**12,795,124,917.87**
By sales channel:					
Direct sales	8,955,038,639.60	1,534,669,498.95	1,892,919,952.76	412,496,826.56	12,795,124,917.87
Sale through distributors					
Total	**8,955,038,639.60**	**1,534,669,498.95**	**1,892,919,952.76**	**412,496,826.56**	**12,795,124,917.87**

(5) Note on contract performance obligations

The Group's contract performance obligations represent mainly the construction, delivery and maintenance of ships and ancillary products. The time of contract performance obligations substantially correspond to the completion schedule of the ship completion progress, mainly includes those for construction commencement, closure, docking, launching, sea trial and delivery. The time and proportion of the settlement of the progress payment are set out in the contracts between the Group and the customers, a n d the two parties shall perform the relevant obligations in accordance with the terms of the contract. If any party defaults or fails to perform the contractual obligations in a timely manner, where the responsibility lies with the Group, it shall refund customers' prepayments together with the contract assets caused thereby; In the event that it is the customer's responsibility, the Group has the right to require the customer to continue performing or to compensate for the costs and profits incurred in the contract performance. For defects caused by unintentional, navigation risks and physical damage during the warranty period of the contract, which is generally 1 year, enterprises provide repair services without any charges.

(6) Note on allocation to remaining contract performance obligations

As of 31 December 2022, the transaction price corresponding to the contract performance obligations for which contracts had been entered into and which had not been performed or completely fulfilled as at the end of the year was RMB41,283,480,000.00, of which RMB14,631,618,600.00 is expected to be recognized as revenue in 2023.

(7) Top five customers by operating income

Customers	**Relationship with the Group**	**Current year**	**Percentage of total income from principal business (%)**
First	Unrelated party	5,789,522,861.64	46.01
Second	Unrelated party	591,176,004.72	4.70
Third	Unrelated party	500,547,976.24	3.98
Fourth	Unrelated party	412,134,550.23	3.28
Fifth	Unrelated party	404,357,603.76	3.21
Total		**7,697,738,996.59**	**61.18**

(8) Purchase amounts from top five suppliers

Supplier	**Relationship with the Group**	**Amount for the year**	**Percentage of total costs of principal business (%)**
First	Under common control of CSSC	5,176,002,529.34	44.00
Second	Unrelated Party	232,769,200.00	1.98
Third	Unrelated Party	209,000,000.00	1.78
Fourth	Unrelated Party	137,480,000.00	1.17
Fifth	Unrelated Party	88,369,344.00	0.75
Total		**5,843,621,073.34**	**49.68**

9. Finance expense

(1). Details of finance costs

Item	Current year	Last year
Interest expenses	153,074,603.42	132,092,572.69
Including: Interest expenses for lease liabilities	6,314,644.40	5,091,501.84
Less: Interest income	442,027,156.82	254,500,693.52
Exchange gains or losses	-186,946,211.62	59,351,737.94
Other expenses	26,480,250.71	22,320,220.05
Total	**-449,418,514.31**	**-40,736,162.84**

(2). Details of interest expenses

Item	Current year	Last year
Interest on bank borrowings and overdraft	**148,876,790.28**	**128,404,940.32**
Interest on bank borrowings due within 5 years	148,876,790.28	116,469,072.32
Interest on bank borrowings due more than 5 years		11,935,868.00
Other borrowings	**9,497,813.14**	**8,167,632.37**
Interest on other borrowings due within 5 years		
Other interest expenses	9,497,813.14	8,167,632.37
Sub-total	**158,374,603.42**	**136,572,572.69**
Less: Interest capitalized		
Less: Interest discount	5,300,000.00	4,480,000.00
Total	**153,074,603.42**	**132,092,572.69**

(3). Breakdown of interest income

Item	Current year	Last year
Interest income from bank deposits	384,820,111.54	172,019,742.08
Interest income from receivables	57,207,045.28	82,480,951.44
Total	**442,027,156.82**	**254,500,693.52**

10. Investment income

Item	Current year	Last year
Gain from long-term equity investments accounted for using equity method	633,032,770.34	11,966,548.56
Investment income from disposal of long-term equity investments		465,367.34
Investment income from disposal of financial assets held for trading	-22,393,888.10	18,365,743.03
Dividend income received during the period of holding investments in other equity instruments	7,743,134.15	9,408,064.73
Total	**618,382,016.39**	**40,205,723.66**

Note: Investment income derived from listed and unlisted type of investments for the year amounted to RMB6,718,766.94 (last year: RMB7,785,648.75) and RMB611,663,249.45 (last year: RMB32,420,074.91) respectively.

11. Gain on changes in fair value

Item	Current year	Last year
Changes in fair value of financial assets held for trading	-17,449,015.02	101,349,211.43
Changes in fair value of financial liabilities held for trading	-5,919,716.73	
Total	**-23,368,731.75**	**101,349,211.43**

12. Non-operating income

(1). Details of non-operating income by item

Item	Amount for the year	Amount for last year	Amount included in non-recurring gains and losses during the year
Gain on scrapped non-current assets	386,190.37	1,900,307.91	386,190.37
Including: Gain from scrapped fixed assets	386,190.37	1,900,307.91	386,190.37
Government grants not relating to daily activities	1,820,129.88	1,820,129.88	1,820,129.88
Penalty income	3,772,564.21	10,890,333.18	3,772,564.21
Insurance claims payment	2,260,198.52	3,709,190.91	2,260,198.52
Others	35,979.70	438,177.66	35,979.70
Total	**8,275,062.68**	**18,758,139.54**	**8,275,062.68**

The amount included in non-recurring gains and losses for the year was RMB8,275,062.68 (last year: RMB18,758,139.54).

Breakdown of government grants not relating to day-to-day activities

Item	Current year	Last year	Relating to assets/ 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	Relating to revenue
Total	**1,820,129.88**	**1,820,129.88**	—

(2). Description of profit from disposal of properties

Non-operating income 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 expenses	273,521.52	328,981.69
1. China	273,521.52	328,981.69
2. Hong Kong		
Deferred income tax expenses	-10,182,753.34	10,641,113.85
Others	-2,514.88	-10,507.40
Total	**-9,911,746.70**	**10,959,588.14**

(2). Accounting profit and income tax expense adjustment process

Item	Current year
Total profit	700,147,235.28
Income tax expenses calculated at statutory/applicable tax rate	175,036,808.82
Impact of different tax rates for subsidiaries	21,236,808.08
Impact of adjustment for income tax for previous periods	-2,514.88
Impact of non-taxable income	-172,516,895.02
Impact of non-deductible costs, expenses and losses	1,092,305.74
Impact of utilization of deductible loss for which no deferred tax assets were previously recognized	-17,231,158.46
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current year	44,816,125.80
Additional deduction of research and development expense	-62,343,226.78
Income tax expense	-9,911,746.70

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's net profit after adjustment of the following factors: (1) the recognized interest expense of dilutive potential ordinary shares; (2) income or expense that would result from the conversion of dilutive potential ordinary shares; and (3) the related income tax effects of the above adjustments.

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

In calculating the weighted average number of shares increased after conversion of dilutive potential ordinary shares into ordinary shares, the dilutive potential ordinary shares which were converted in previous periods 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	688,391,027.99	79,387,401.00
Non-recurring gains and losses attributable to the Company	2	767,772,666.93	130,826,541.34
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3 = 1-2	-79,381,638.94	-51,439,140.34
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 following the month in which the number of shares is increased to the end of the year (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the next month following the month in which the number of shares is decreased to the end of the year	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 non-recurring gains and losses	13	1,413,506,378.00	1,413,506,378.00
Basic earnings per share (I)	14 = 1÷12	0.4870	0.0562
Basic earnings per share (II)	15 = 3÷13	-0.0562	-0.0364
Potential diluted interests of ordinary shares recognized as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted earnings per share (I)	20 = [1+(16-17) × (100%-18)]÷(12+19)	0.4870	0.0562
Diluted earnings per share (II)	21 = [3+(16-17) × (100%-18)]÷(13+19)	-0.0562	-0.0364

15. Dividends

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

(1) Year ended 31 December 2021

Pursuant to a resolution of the Annual General Meeting of 2020 of the Company on 27 May 2021, The Company pays a dividend of RMB234,642,058.75 for the year 2020 and that the Company does not convert capital reserve into share capital.

(2) Year ended 31 December 2022

Pursuant to a resolution of the Annual General Meeting of 2021 of the Company on 19 May 2022, The Company pays a dividend of RMB195,063,880.16 for the year 2021 and that the Company does not convert capital reserve into share capital.

16. Depreciation and amortization

Item	**Current year**	**Last year**
Depreciation of fixed assets	324,278,753.52	270,772,908.83
Amortization of intangible assets	31,008,009.77	28,728,148.28
Depreciation of right-of-use asset	62,184,668.38	36,245,678.10
Amortization of long-term prepaid expenses	8,423,900.43	5,011,874.02
Depreciation of investment properties	6,537,425.04	6,537,425.04
Total	**432,432,757.14**	**347,296,034.27**

Other explanations: The amount of depreciation expenses included in operating costs, selling expenses, administrative expenses and research and development expenses in the Year is RMB348,311,489.61 (last year: RMB317,601,774.84), and the amount of amortization expenses is RMB34,479,271.87 (last year: RMB29,566,039.94).

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

Gains on disposal of investments during the year is RMB0, profit on sale of properties for the year was RMB0 (gains on disposal of investments during last year is RMB465,367.34, gains on disposal of properties for last year is RMB0).

VI. 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	Ship maintenance segment	Other segment	Inter-segment elimination and adjustment	Total
Operating income	13,565,238,205.89	1,645,939,100.76	1,896,730,359.07	855,705,725.25	-5,168,488,473.10	12,795,124,917.87
Including: Revenue from external transactions	8,955,038,639.60	1,534,669,498.95	1,892,919,952.76	412,496,826.56		12,795,124,917.87
Revenue from intra-segment transactions	4,610,199,566.29	111,269,601.81	3,810,406.31	443,208,898.69	-5,168,488,473.10	
Income from investments in associates and joint ventures	261,131.08	4,111,243.50		660,516,716.23	-31,856,320.47	633,032,770.34
Credit impairment loss	26,113,385.78	-4,735,849.31		-740,139.51		20,637,396.96
Impairment losses on assets	-123,006,306.25	-34,482.76				-123,040,789.01
Depreciation fee and amortization fee	320,588,300.72	45,266,503.20	173,231.26	66,326,515.74	78,206.22	432,432,757.14
Total profits (total losses)	96,025,542.96	30,200,980.57	610,982.05	699,542,095.82	-126,232,366.12	700,147,235.28
Income tax expense	-9,370,188.78	-709,433.79	13,360.47	154,515.40		-9,911,746.70
Net profit (net loss)	105,395,731.74	30,910,414.36	597,621.58	699,387,580.42	-126,232,366.12	710,058,981.98
Total assets	40,398,135,705.86	2,130,872,206.56	7,301,089.36	16,289,818,615.98	-12,346,340,973.11	46,479,786,644.65
Total liabilities	31,637,942,391.72	1,779,787,210.50	33,194.09	3,115,225,161.13	-8,803,905,176.67	27,729,082,780.77
Capitalized expenditure	2,420,619,121.76	5,406,000.00	90,833.00	86,117,742.04	-61,811,776.62	2,450,421,920.18

Segment information for the previous year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance segment	Other segment	Inter-segment elimination and adjustment	Total
Operating income	12,279,877,068.95	1,316,094,780.44	9,218,448.01	951,091,532.72	-2,884,688,306.65	11,671,593,523.47
Including: Revenue from external transactions	10,039,105,607.76	1,207,205,795.19	3,263,821.58	422,018,298.94		11,671,593,523.47
Revenue from intra-segment transactions	2,240,771,461.19	108,888,985.25	5,954,626.43	529,073,233.78	-2,884,688,306.65	
Income from investments in associates and joint ventures	217,540.17	578,836.13		11,387,712.43	-217,540.17	11,966,548.56
Impairment losses on assets	-32,528,989.75	-3,927,293.01		-449,446.13		-36,905,728.89
Impairment losses on assets	-98,987,573.77	-56,959.18				-99,044,532.95
Depreciation fee and amortization fee	264,738,234.63	17,146,586.59	214,595.27	51,352,292.21	13,844,325.57	347,296,034.27
Total profits (total losses)	56,227,906.65	24,641,497.19	1,066,040.01	63,460,027.27	-30,246,591.32	115,148,879.80
Income tax expense	11,630,031.13	-582,253.31	31,604.00	-119,793.68		10,959,588.14
Net profit (net loss)	44,597,875.52	25,223,750.50	1,034,436.01	63,579,820.95	-30,246,591.32	104,189,291.66
Total assets	35,880,595,996.34	2,015,488,610.17	6,902,289.89	15,222,451,585.11	-8,860,029,608.97	44,265,408,872.54
Total liabilities	27,208,714,472.01	1,742,829,955.24	232,016.20	2,297,681,287.30	-5,654,867,336.49	25,594,590,394.26
Capitalized expenditure	547,343,468.55		1,050,532.50	136,397,348.28	-390,100,083.32	294,691,266.01

(2) Revenue from external transactions by origin of revenue

Item	Current year	Last year
Revenue from external transactions derived from China	11,484,659,097.51	11,310,936,393.75
Revenue from external transactions derived from other countries	1,310,465,820.36	360,657,129.72
Total	**12,795,124,917.87**	**11,671,593,523.47**

(3) Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China (excluded Hong Kong)	12,257,641,477.25	11,352,854,899.20
Hong Kong	802,286,452.10	417,695,444.50
Total	**13,059,927,929.35**	**11,770,550,343.70**

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