

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

H Stock Code: 00317 A Stock Code: 600685

2023

INTERIM REPORT

IMPORTANT NOTES

- I. The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm that information contained in this interim report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
- II. Save as mentioned below, all Directors of the Company attended the meeting of the Board for approving this interim report.

Position held by absent Director	Name of absent Director	Reasons for absence	Name of proxy
Director	Xiang Huiming	Work	Yu Shiyou
Director	Chen Ji	Work	Chen Liping
Director	Gu Yuan	Work	Chen Liping

- III. This interim report is unaudited. The financial information contained in this report has been reviewed and confirmed by the Audit Committee of the Board of the Company.
- IV. Chen Liping, the person in charge of the Company, Hou Zengquan, the person in charge of accounting and Xie Weihong, the head of accounting department (accountant in charge), have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
- V. The Company will not make profit distribution (that is, no distribution of the interim dividend for the six months ended 30 June 2023) or convert any capital reserve into share capital for the first half of 2023 (first half of 2022: nil).
- VI. This interim report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.
- VII. No controlling shareholder or related party of the Company has misappropriated funds of the Company.
- VIII. No external guarantee has been provided by the Company in violation of the required decision-making procedures.
- IX. The relevant risks which might exist have been described in this report in details. Please refer to Section III Management's Discussion and Analysis for the risks that the Company might face.
- X. As at the date of this interim report, the Board comprises ten Directors, namely executive Directors Mr. Chen Liping and Mr. Xiang Huiming, non-executive Directors Mr. Chen Ji, Mr. Gu Yuan, Mr. Ren Kaijiang and Mr. Yin Lu and independent non-executive Directors Mr. Yu Shiyou, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian.
- XI. This report is prepared in both Chinese and English. In case of any inconsistency, the Chinese version shall prevail.

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SECTION I DEFINITIONS

Unless otherwise stated in context, the following terms shall have the following meanings in this report:

Definitions of frequently used terms

BDO	BDO China Shu Lun Pan Certified Public Accountants LLP
CG Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
China Shipbuilding Group	China Shipbuilding Group Co., Ltd., the controlling shareholder of CSSC
CSRC	China Securities Regulatory Commission
CSSC	China State Shipbuilding Corporation Limited, the controlling shareholder of the Company
CSSC Holdings	China CSSC Holdings Limited, a listed company controlled by CSSC
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution controlled by China Shipbuilding Group
Company or COMEC	CSSC Offshore & Marine Engineering (Group) Company Limited
DWT (deadweight tonnage)	deadweight capacity with tonne as unit
Group	CSSC Offshore & Marine Engineering (Group) Company Limited and its subsidiaries
GSI	Guangzhou Shipyard International Company Limited, a company in which the Company owns a 41.9170% equity interest as at the end of the Reporting Period
Huangchuan Ocean Engineering	Guangzhou Huangchuan Ocean Engineering Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, a 54.5371%-owned subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
PRC	The People's Republic of China
Reporting Period	the six months ended 30 June 2023
Shareholder(s)	shareholder(s) of the Company
SFO	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Wenchong Shipyard	Guangzhou Wenchong Shipyard Co., Ltd, a wholly-owned subsidiary of Huangpu Wenchong
Wenchuan Heavy Industrial	Guangzhou Wenchuan Heavy Industrial Co., Ltd., a wholly-owned subsidiary of Huangpu Wenchong

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

Chinese name of the Company	中船海洋與防務裝備股份有限公司
Chinese abbreviation	中船防務
English name of the Company	CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED
English abbreviation	COMEC
Legal representative of the Company	Han Guangde

II. CONTACT PERSONS AND CONTACT METHODS

Secretary to the Board		Authorised Securities Representative
Name	Li Zhidong	Yu Wenbo
Contact address	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou, PRC	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou, PRC
Telephone	020-81636688	020-81636688
Fax	020-81896411	020-81896411
E-mail	lizd@comec.cssc.net.cn	yuwb@comec.cssc.net.cn

III. CHANGES OF GENERAL INFORMATION

Registered address of the Company	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou, PRC
Historical changes to the Company's registered address	On 2 April 2020, the registered address of the Company was changed from "40 South Fangcun Main Road, Liwan District, Guangzhou City, the People's Republic of China" to "15th Floor, Marine Tower, No.137 Gexin Road, Haizhu District, Guangzhou City, the People's Republic of China"
Office address of the Company	15th Floor, Marine Tower, No. 137 Gexin Road, Haizhu District, Guangzhou, PRC
Postal code of the office address of the Company	510250
Website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Names of newspapers designated for information disclosure	China Securities Journal, Securities Daily, Securities Times and Shanghai Securities News
Website for publishing the interim report	www.sse.com.cn, www.hkexnews.hk
Place for inspection of the interim report of the Company	Office of the Board

V. BASIC INFORMATION OF THE SHARES OF THE COMPANY

Type of shares	Stock exchange on which the shares are listed	Stock abbreviation/ Stock short name	Stock code	Stock abbreviation before change
A Shares	The Shanghai Stock Exchange	COMEC	600685	GSI
H Shares	The Stock Exchange of Hong Kong Limited	COMEC	00317	GUANGZHOU SHIP

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key accounting data

Unit: RMB Yuan

Key accounting data	Reporting Period (From January to June)	Corresponding period of last year		Change (%)
		After adjustment	Before adjustment	
Operating income	5,982,333,803.04	4,271,202,500.99	4,271,202,500.99	40.06
Net profit attributable to shareholders of the Company	12,665,284.90	18,928,805.72	18,906,736.89	-33.09
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	15,478,915.06	2,100,577.75	2,078,508.92	636.89
Net cash flows from operating activities	-2,603,497,437.82	1,279,468,624.31	1,279,468,624.31	-303.48
	As at the end of the Reporting Period	As at the end of last year After adjustment	As at the end of last year Before adjustment	Change (%)
Net assets attributable to shareholders of the Company	16,947,058,224.65	15,588,602,692.22	15,588,030,556.81	8.71
Total assets	46,866,852,879.69	46,508,366,648.38	46,479,786,644.65	0.77

(II) Key financial indicators

Key financial indicators	Reporting Period (From January to June)	Corresponding period of last year		Change (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB/share)	0.0090	0.0134	0.0134	-32.84
Diluted earnings per share (RMB/share)	0.0090	0.0134	0.0134	-32.84
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	0.0110	0.0015	0.0015	633.33
Weighted average return on equity (%)	0.08	0.14	0.13	Decrease of 0.06 percentage points
Weighted average return on equity after deduction of non-recurring gains and losses (%)	0.09	0.02	0.01	Increase of 0.07 percentage points

Explanation on the major accounting data and financial indicators of the Company

- With effect from 1 January 2023, the Company implemented the relevant provisions of the "Accounting for the non-applicability of the initial recognition exemption for deferred income tax relating to assets and liabilities arising from a single transaction" of the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31). Based on the cumulative impact figures, the opening balance of the retained earnings and other related financial statement items of the earliest period of the financial statement presentation were retrospectively adjusted. Please refer to the notes to the financial statements and the announcement of the Company dated 30 August 2023 for details.
- During the Reporting Period, the Company recorded an operating income of RMB5,982 million, representing a period-on-period increase of 40.06%, which was mainly attributable to the effect of the steady increase in production output during the Reporting Period and the period-on-period increase in completed products which fulfilled its performance obligations at a certain point in time and met the conditions for revenue recognition.
- During the Reporting Period, the Company recorded net profit attributable to shareholders of the Company of RMB13 million, representing a period-on-period decrease of 33.09%; earnings per share were RMB0.009, representing a period-on-period decrease of 32.84%; the accumulated net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses was RMB15 million, representing a period-on-period increase of 636.89%; basic earnings per share after deduction of non-recurring gains and losses was RMB0.011, representing a period-on-period increase of 633.33%. The improvement of the profitability of the main business was mainly attributable to the growth in operating income, leading to a corresponding increase in gross profit of the products.
- During the Reporting Period, the net cash flows from operating activities of the Company amounted to RMB-2,603 million, which was mainly attributable to the impact of the uneven distribution of product payment milestones, leading to a period-on-period decrease in the ship progress payment received.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. EXTRAORDINARY ITEMS AND THEIR AMOUNTS

Unit: RMB Yuan

Extraordinary items	Amount	Note (where applicable)
Gain or loss on disposal of non-current assets	-722,228.08	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature		
Government grants included in current profit or loss, except for those closely relevant to normal business of the Company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standard	43,747,154.96	
Capital occupation fee received from non-financial entities included in current profit or loss		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or assets under management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs, such as employee redundancy pay and integration costs		
Gain or loss on transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		
Gain or loss on changes in fair value of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading and derivative financial liabilities, and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are related to the Company's normal operation	-49,641,037.80	
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment		
Profit and loss from external entrusted loan		
Profit or loss arising from changes in fair value of investment property under fair value model on subsequent measurement		
Effect on profit and loss for the current period from one-off adjustment to profit or loss for the current period in accordance with laws and regulations on taxation and accounting, etc.		
Entrustment fees from entrusted operation		
Other non-operating income and expenses apart from the aforesaid items	339,261.55	
Other gain or loss items meeting the definition of non-recurring gains or losses	465,419.15	Mainly from the refund of handling fee for withholding individual income tax
Less: Effect of income tax	-739,034.90	
Effect of minority interests (after tax)	-2,258,765.16	
Total	-2,813,630.16	

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Explanations shall be provided for the classification of non-recurring gains and losses items as defined in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses issued by CSRC, as well as the decision to classify non-recurring gains and losses items as illustrated therein to be recurring gains and losses.

Unit: RMB Yuan

Item	Amount	Reason
Interest subsidy	5,090,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Grant for insurance maintained for first piece (set)	3,000,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	8,090,000.00	

Note: All the aforesaid government grants are closely related to the normal operation of the Company, subject to national policies and granted on a continuous basis at a fixed amount or with reference to certain standards, and fall under recurring gains and losses in accordance with the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public-Non-recurring Gains and Losses.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

I. INDUSTRY AND PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD

(I) Principal activities

COMEC is a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment being maritime defense equipment, maritime transport equipment, maritime development equipment and maritime technology application equipment. The Group's principal products include shipbuilding and marine products with military ships, marine police equipment and public service ships as the representative defense products, and with feeder containerships, dredgers, offshore engineering platforms and wind power installation platforms as the representative marine offshore products as well as energy equipment, high-end steel structures, construction machinery, environmental protection equipment and industrial internet platforms as the representative marine application business products. During the Reporting Period, there were no material changes to the Group's principal activities.

(II) Business model

As a holding company, COMEC currently focuses on asset operation and investment management. Its actual businesses include independent production and operation and manufacturing and providing customers with high-quality products through research and development of ships, seeking orders and implementing customised order production. The Company is mainly engaged in assembly and construction in the shipbuilding and offshore engineering industrial chain. It has extended to shipbuilding and offshore supporting products at the front end of the industrial chain and full life guarantee at the back end of the industrial chain.

(III) Industry overview

The shipbuilding industry in which the Group operates is highly cyclical and is mainly subject to factors including the global economic and trading trend, cyclical fluctuation in the shipping market, international crude oil prices and raw materials prices. For details of the shipbuilding industry during the Reporting Period, please refer to part III of this section.

The Group is a large-scale backbone shipbuilding enterprise under China Shipbuilding Group and a national core military production enterprise, its controlling subsidiary, Huangpu Wenchong, was founded in 1851, with a history of 172 years since its establishment and 130 years of military industry, and its development history spans three centuries. It is the main construction base for military ships, special engineering ships and maritime engineering in China. It is also the largest and strongest production base for dredging engineering ships and feeder containerships in China, and the largest construction base for high-end offshore engineering equipment and offshore wind power infrastructure products in South China.

(IV) Analysis of factors driving change in business revenue

During the Reporting Period, operating income of the Group amounted to RMB5,982 million, representing a period-on-period increase of 40.06%, mainly due to the effect of the steady increase in production output of the Group during the Reporting Period and the period-on-period increase in completed products which fulfilled its performance obligations at a certain point in time and met the conditions for revenue recognition.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

- (I) **Product advantages.** The Group has the capability of regional general assembly shipbuilding mode and simultaneous construction of multiple vessel types, and it is in leading position in the technical indexes of military vessels, civil vessels and offshore engineering business in China, giving rise to products featured both domestically and foreignly, represented by marine police equipment, public service equipment, feeder containerships, dredgers, etc. The Group will continue to improve and optimize ship models and enhance product performance, while extending products on the basis of advantageous products to form a series of products to better meet customer needs.
- (II) **Technological advantages.** The Group has 11 science and technology innovation platforms at or above the provincial and ministerial level, such as national enterprise technology center, postdoctoral research station, national engineering laboratory for marine engineering research and development and design, Guangdong engineering technology research centre, etc. It is one of the most powerful ship product development and design centers in South China and the first exemplary base of military-civilian technological innovation in Guangdong Province, possessing independent intellectual property rights in high technology high value-added products and special vessels such as feeder containerships, public service ships, scientific exploration ships, wind power installation platforms. Through continuous investment in research and development, the Group insists on independent innovation, tackles difficulties in cutting-edge technologies and focuses on strengthening the research and development of new green, energy-saving and environment-friendly ship types and high-tech and high value-added ship types.
- (III) **Brand advantages.** In terms of military products, the Group is the most important production and support facility of military ships in South China of the Chinese Navy, and an important public service ship manufacturer in the PRC; in terms of civil products, the Group enjoys great reputation and occupies a leading position in terms of multi-purpose deep water survey ships, feeder containerships and dredging dredgers; in terms of application industries, the Group has a good reputation in the industry and has undertaken the construction of steel structures for major projects such as the Shenzhen-Zhongshan Bridge, the Hong Kong-Zhuhai-Macao Bridge and Guangxi Fangchenggang Wind Turbine Jacket, and successfully exported offshore wind power equipment to overseas markets.
- (IV) **Market advantage.** The Group's principal business and products have high market share in domestic and overseas markets, which has laid a solid foundation in the market. In particular, it has a leading edge in terms of feeder containerships and dredging engineering ships and a leading position in the PRC in terms of military ships, public service ships, dredgers and new generation of large ocean rescue ships.

Such strengths have contributed to the sustainable development of the Company. In addition, against the background of accelerated industry upgrading in the shipbuilding industry and elimination of backward production capacity, the Company will focus on continuously developing core competitiveness including research and development capability and building technologies, explore new growth drivers, improve profitability and provide higher returns to Shareholders.

III. MANAGEMENT'S DISCUSSION AND ANALYSIS

(I) Development of the shipbuilding market in the first half of 2023

The new shipbuilding market maintained a stable and recovering trend. In the first half of 2023, the number of new ship orders was reduced due to factors such as weak global maritime trade, rising price of new ships, tight docking resources of shipyards, and uncertain application of fuel technology. However, the trend of decarbonisation and emission reduction in the shipping industry has facilitated the transformation of fleets for development and the accelerated dismantling of old ships, which still played a significant role in supporting the development of the shipbuilding market.

In terms of the transaction volume of new ships, 782 new ship orders for a total of 46.106 million DWT were traded globally in the first half of 2023, representing a period-on-period decrease of 12%, according to Clarkson data. In terms of ship types, DWT of container ships and bulk carriers decreased by 45.9% and 18.1% respectively period-on-period, and the oil tanker transactions rebounded significantly, representing a period-on-period increase of 398.3%.

In terms of the price of new ship, in June 2023, the Clarkson new ship price index closed at 171 points, representing a period-on-period increase of 9 points. From the perspective of the major ship types, the Clarkson new ship price index for oil tankers, bulk carriers, containerships and liquefied gas tankers were 205 points, 164 points, 105 points and 187 points, respectively, and were 16 points, -4 points, 2 points and 17 points changes period-on-period, respectively.

In terms of competitive landscape, shipyards of China, Japan and South Korea received a total of 43.379 million DWT of new ship orders, accounting for 98.1% of the global market share in the first half of 2023. From the perspective of major shipbuilding countries, Chinese shipyards have made constant efforts to develop high-end ship types while consolidating their advantages in receiving orders for main ship types, the cumulative contracted new ship orders reached 30.038 million DWT, representing a period-on-period increase of 18.4%, accounting for 67.9% of the global market share; South Korean shipyards have focused on high-value-added ship types, the cumulative contracted new ship orders reached 9.759 million DWT, representing a period-on-period decrease of 42.0%, accounting for 22.1% of the global market share; and Japanese shipyards had their cumulative contracted new ship orders reached 3.582 million DWT, representing a period-on-period decrease of 60.1%, accounting for 8.1% of the global market share.

The offshore engineering equipment market remained generally stable. In the first half of 2023, the global offshore engineering operation market performed actively, but the demand for new ships was lower than that during the corresponding period of last year due to factors such as tight production resources and high financing costs in the shipbuilding industry. During the period from January to June 2023, a total of 45 ships/sets of various types of marine engineering equipment were traded worldwide with the total value of US\$5.61 billion, representing a period-on-period decrease of 17.2% in monetary terms.

Note: The above information and data are from China Shipbuilding Industrial Economy Research Centre.

(II) Operation of the Group

During the Reporting Period, the Group kept up with the development trend of the shipbuilding market, seized the market opportunities, continued to maintain the good trend of receiving substantial orders, and constantly optimised the structure of orders in hand. The Group secured orders worth of RMB7.326 billion, representing a period-on-period increase of 132.94%, and completed 45.22% of the annual plan. The new orders for seven types of 20 ships mainly include feeder containerships, heavy lift vessels, large aquaculture vessels, etc. As at the end of the Reporting Period, the Group held orders with the total contract value of approximately RMB56.11 billion, of which the total contract value of shipbuilding orders was approximately RMB53.66 billion, including 116 ship products and 2 offshore equipment with a total of 3,028,900 DWT; and the total contract value of the orders for offshore wind power equipment, ship repairs and other non-shipbuilding products was approximately RMB2.45 billion.

Under the favourable situation of staturated production tasks, the Group prioritised the delivery deadline, continued to strengthen project, plan and cost management, and enhanced the collaborative efficiency of production resources and human resources, thereby achieving steady improvement in ship delivery quality, shipbuilding efficiency and cost control level. During the Reporting Period, the Group completed and delivered 19 vessels for 487,600 DWT and achieved the operating income of RMB5,982 million, representing a period-on-period increase of 40.06%. Net profit attributable to the shareholders of the Company amounted to RMB13 million. Earnings per share were RMB0.009, and earnings per share after deduction of non-recurring gains and losses were RMB0.011.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

IV. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

(I) Main business analysis

1. Analysis of changes in relevant items in the financial statements

Unit: RMB Yuan

Item	Reporting Period	Corresponding period of last year	Change (%)
Operating income	5,982,333,803.04	4,271,202,500.99	40.06
Operating costs	5,611,512,672.88	3,977,648,314.95	41.08
Selling expenses	43,610,333.25	38,110,356.05	14.43
Administrative expenses	273,840,779.15	245,491,846.23	11.55
Finance cost	-227,654,534.16	-230,602,089.67	Not applicable
Research and development expense	231,432,606.50	221,092,386.17	4.68
Net cash flows from operating activities	-2,603,497,437.82	1,279,468,624.31	-303.48
Net cash flows from investing activities	-781,028,624.04	-1,180,395,245.21	Not applicable
Net cash flows from financing activities	-2,214,538,244.91	1,015,586,196.88	-318.06
Other income	46,302,509.17	26,918,135.72	72.01
Gain on change in fair value	-43,234,836.94	17,336,152.70	-349.39
Credit impairment loss (loss expressed with "-")	-6,523,917.58	24,145,248.32	-127.02
Asset impairment loss (loss expressed with "-")	-4,457,594.94	-25,904,928.57	Not applicable
Non-operating expense	1,297,967.14	712,882.16	82.07
Income tax expense	-4,770,338.94	-100,008.09	Not applicable

Reason for change in operating income: mainly attributable to the effect of the steady increase in production output during the Reporting Period and the period-on-period increase in completed products which fulfilled its performance obligations at a certain point in time and met the conditions for revenue recognition.

Reason for change in operating costs: as the operating income increased, the associated operating costs increased correspondingly.

Reason for change in selling expenses: mainly due to the effect of the period-on-period increase of the product warranty provisions during the Reporting Period.

Reason for change in administrative expenses: mainly due to the effect of the period-on-period increase of insurance premium during the Reporting Period.

Reason for change in finance cost: mainly due to the effect of the period-on-period decrease of the net interest income/expense during the Reporting Period.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Reason for change in research and development expense: mainly due to the effect of the differences in scientific and research projects undertaken and consolidation of related expenses.

Reason for change in net cash flow from operating activities: mainly attributable to the impact of the uneven distribution of product payment milestones, leading to a period-on-period decrease in the ship progress payment received.

Reason for change in net cash flow from investing activities: mainly due to the period-on-period decrease of time deposits of duration of more than 3 months during the Reporting Period.

Reason for change in net cash flow from financing activities: mainly due to the effect of the period-on-period decrease of the net borrowings as a result of the due repayment of borrowings from financial institutions during the Reporting Period.

Reason for change in other income: mainly due to the period-on-period increase in the receipt of research subsidies and subsidies for insurance maintained for first piece (set) of equipment during the Reporting Period.

Reason for the change in gain on change in fair value: mainly due to the effect of the period-on-period decrease in gains from changes in carrying fair value of financial assets held-for-trading in hand during the Report Period.

Reason for the change in credit impairment loss: mainly due to the effect of a period-on-period increase in provision for bad debts made according to ageing analysis during the Reporting Period.

Reason for the change in asset impairment loss: mainly due to the effect of the period-on-period decrease in provision for impairment of inventories during the Reporting Period.

Reason for the change in non-operating expense: mainly due to the effect of the period-on-period increase of penalty payment during the Reporting Period.

Reason for change in income tax expense: mainly due to the effect of the period-on-period decrease in recognised deferred income tax liabilities as a result of the temporary variances arising from the difference between the book value and the tax basis during the Reporting Period.

(II) Explanation for material change in the profit derived from non-principal business

During the Reporting Period, there was no material change in the profit derived from non-principal business of the Group.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

(III) Analysis of assets and liabilities

1. Assets and liabilities

Unit: RMB Yuan

Name of item	Amount at the end of current period	As a proportion of total assets at the end of current period (%)	Amount at the end of last period	As a proportion of total assets at the end of corresponding period of last year (%)	Change of amount at the end of current period compared with that at the end of corresponding period of last year (%)	Description
Cash in bank and on hand	9,891,953,817.90	21.11	14,813,771,761.29	31.85	-33.22	Combined effect of decrease in progress payments received for vessels during the Reporting Period and return of borrowings due during the Reporting Period.
Financial assets held-for-trading	4,939,799.96	0.01	29,872,972.39	0.06	-83.46	Due settlement of certain financial derivatives during the Reporting Period and the decrease in fair value of certain financial derivatives held at the end of the Reporting Period.
Accounts receivable	1,632,835,180.14	3.48	1,154,073,770.27	2.48	41.48	-
Including: Notes receivable	17,175,915.76	0.04	86,019,898.33	0.18	-80.03	Due payment of notes receivable during the Reporting Period.
Accounts receivable	1,615,659,264.38	3.45	1,068,053,871.94	2.30	51.27	Corresponding increase in recognised accounts receivable as a result of increase in operating income during the Reporting Period.
Inventories	5,413,145,291.23	11.55	4,353,610,820.41	9.36	24.34	-
Contract assets	3,832,164,584.23	8.18	2,294,261,099.29	4.93	67.03	The progress of contract performance for certain shipbuilding products has exceeded the increase in the settlement amount during the Reporting Period.
Other current assets	197,911,915.27	0.42	134,733,999.65	0.29	46.89	Increase in input value-added tax at the end of the Reporting Period.
Investment properties	132,917,919.06	0.28	136,186,631.58	0.29	-2.40	-
Long-term equity investments	5,196,499,496.96	11.09	5,576,276,499.57	11.99	-6.81	-
Investments in other equity instruments	7,196,651,479.05	15.36	4,911,318,677.22	10.56	46.53	Effect of increase in fair value of shares of CSSC Holdings held at the end of the Reporting Period.
Fixed assets	5,354,490,301.67	11.42	5,354,647,353.76	11.51	0.00	-
Construction in progress	288,236,906.24	0.62	277,015,334.55	0.60	4.05	-
Right-of-use assets	167,115,524.81	0.36	183,901,510.27	0.40	-9.13	-
Short-term borrowings	1,605,943,583.33	3.43	2,881,008,138.92	6.19	-44.26	Due repayment of borrowings from financial institutions during the Reporting Period.
Financial liability held-for-trading	43,757,562.10	0.09	5,919,716.73	0.01	639.18	Decrease in fair value of some financial derivatives held at the end of the Reporting Period.
Notes payable	1,712,111,908.09	3.65	2,984,392,901.64	6.42	-42.63	Due payment of notes payable during the Reporting Period.
Contract liabilities	13,028,870,648.48	27.80	11,979,592,304.12	25.76	8.76	-

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Name of item	Amount at the end of current period	As a proportion of total assets at the end of current period (%)	Amount at the end of last period	As a proportion of total assets at the end of corresponding period of last year (%)	Change of amount at the end of current period compared with that at the end of corresponding period of last year (%)	Description
Employee benefits payable	136,349,582.75	0.29	1,179,807.93	0.00	11,456.93	Increase in wages, subsidies and benefits accrued but not paid during the Reporting Period.
Taxes payable	25,522,975.39	0.05	76,728,304.39	0.16	-66.74	Decrease in value-added tax and personal income tax payable at the end of the Reporting Period.
Other current liabilities	110,090,217.70	0.23	158,671,658.76	0.34	-30.62	Decrease in unmatured endorsed commercial acceptance bills at the end of the Reporting Period.
Long-term borrowings	1,725,816,000.00	3.68	2,230,247,510.00	4.80	-22.62	-
Lease liabilities	104,925,477.30	0.22	114,585,384.56	0.25	-8.43	-
Deferred tax liabilities	1,100,695,126.31	2.35	530,873,731.81	1.14	107.34	Effect of increase in fair value of shares of CSSC Holdings held at the end of the Reporting Period.
Other comprehensive income	3,174,199,117.54	6.77	1,450,554,845.16	3.12	118.83	Effect of increase in fair value of shares of CSSC Holdings held at the end of the Reporting Period.

2. Oversea Assets

Overseas assets of the Group as at the end of the Reporting Period amounted to RMB1,224,066,934.75, accounting for 2.61% of the total assets of the Group.

3. Major restrictions on assets at the end of the Reporting Period

As at the end of the Reporting Period, the Group had term deposits over 3 months, interest on outstanding term deposits and monetary funds with restricted right-of-use such as letters of guarantees/letters of credits/deposit for forward exchange contracts amounting to RMB4,366,904,232.65, notes receivable pledged for forward exchange contracts amounting to RMB3,857,700.31 in total. Such restrictions will be lifted upon fulfilment of the relevant contractual obligations. Please refer to the notes to the financial statements for details of such restrictions.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

(IV) Analysis of investments

1. General analysis of external equity investments

The Company is an investment holding company. For details of external equity investments, please refer to the notes to the financial statements. As at the end of the Reporting Period, the balance of the long-term equity investments of the Group amounted to RMB5,196,499,500, representing a decrease of 6.81% from RMB5,576,276,500 as at the beginning of the Reporting Period, mainly due to the effect of other changes in equity of associates.

(1) Material equity investments

During the Reporting Period, the Company had no material external equity investments.

(2) Material non-equity investments

During the Reporting Period, the Company had no material external non-equity investments.

(3) Financial assets measured at fair value

Unit: RMB in ten thousand

Category of assets	Opening number	Gain or loss from change in fair value for the current period	Cumulative fair value change accounted for in equity	Impairment accrued for the current period	Amount purchased for the current period	Amount sold/ redeemed for the current period	Other changes	Ending number
Shares	488,346.11	3.29	429,172.87					719,264.69
Derivatives	2,209.62	-4,326.77					3.09	-2,114.06
Others								
Including: Receivable financing	11,188.85						182.32	11,371.17
Investments in other equity instruments of unlisted companies	2,814.44		2,122.78			2,521.80		432.43
Total	504,559.02	-4,323.48	431,295.65			2,521.80	185.41	728,954.23

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Equity Investment

Unit: RMB in ten thousand

Type of security	Stock code	Abbreviation of stock name	Initial investment cost	Source of funding	Opening carrying value	Gain or loss from change in fair value for the current period	Cumulative fair value change accounted for in equity	Amount purchased for the current period	Amount sold for the current period	Investment gain or loss for the current period	Ending carrying value	Accounting accounts
Shares	600150	CSSC Holdings	285,788.32	Equity exchange	484,578.68		429,987.45				715,775.77	Investments in other equity instruments
Shares	00206	CMIC Ocean Holding	4,271.54	Debt exchange	3,738.76		-814.58				3,456.96	Investments in other equity instruments
Shares	00620	DTXS	230.73	Debt exchange	28.67	3.29					31.96	Financial assets held-for-trading
Total	/	/	290,290.59	/	488,346.11	3.29	429,172.87	0.00	0.00	0.00	719,264.69	/

Derivatives Investment

The 19th meeting of the tenth session of the Board of Directors and the 2022 Annual General Meeting of the Company have considered and approved the "Proposal on Conducting Foreign Exchange Derivatives Trading in 2023", resolving that the Company and its subsidiaries shall conduct foreign exchange derivative trading business with banks, with a balance of foreign exchange derivatives of no more than US\$3.658 billion at any point of time, valid from 2022 annual general meeting of the Company until the new resolution at the 2023 annual general meeting of the Company or modification of the resolution. For details of the above content, please refer to the "Announcement of COMEC on Conducting Foreign Exchange Derivative Trading in 2023" (Announcement No.: Interim 2023-012), the "Announcement on the Resolutions of the 2022 Annual General Meeting of COMEC" (Announcement No.: Interim 2023-021) and the "Poll Results of the Annual General Meeting of 2022 and the 2022 Final Dividend" announcement published by the Company on the SSE website (www.sse.com.cn), the Stock Exchange website (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn) on 30 March 2023 and 24 May 2023 respectively.

As at 30 June 2023, the balance of foreign exchange derivative trading business conducted by the Company and its subsidiaries totaled to US\$1,833 million (equivalent to RMB12,602 million according to the agreed delivery rate, execution rate or transaction rate agreed at the time of trading). The balance of foreign exchange derivatives of the Company and its subsidiaries at any time point in 2023 did not exceed the amount authorised by the annual general meeting for the Company's foreign exchange derivative transactions in 2023.

The Company and its subsidiaries conducted corresponding accounting and presentation of foreign exchange derivative trading business in accordance with relevant regulations and guidelines of the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting", "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments" and "Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement", which were reflected in relevant items of the Company's balance sheet and income statement.

The Company's foreign exchange derivative trading business is closely related to its daily operating needs and a measure taken by the Company to hedge against the risk of exchange rate fluctuations. It is carried out for the purpose of hedging without engaging in speculation and arbitrage transactions solely for the purpose of making profit, which is conducive to enhancing the soundness of the Company's operation. The Company has formulated risk management measures for conducting foreign exchange derivative trading business in terms of management system, product selection, counterparty management, dynamic supervision and management, etc. The Company closely monitors the exchange rate trends and assesses the risks associated with the invested foreign exchange derivatives in a timely manner, and will activate the emergency mechanism to deal with the situation properly in case of any significant changes in the market.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

(V) Significant assets and equity sale

On 1 June 2023, the Resolution on the Transfer of Equity Interests by the Holding Company and Related Party Transaction was considered and approved at the 21st meeting of the tenth session of the Board of the Company, approving Wenchong Shipyard, an indirectly controlled subsidiary of the Company, to transfer its 0.126% equity interest in CSSC Finance to Nanjing CSSC Oasis Machinery Co., Ltd. through a transfer agreement for a consideration of RMB25.218 million. Upon completion of the transaction, Wenchong Shipyard no longer held any equity interest in CSSC Finance. For details, please refer to the announcements titled "Announcement on the Resolution of the Twenty-First Meeting of the Tenth Session of the Board of COMEC" (Announcement No.: Interim 2023-023), "Announcement on the Transfer of Equity Interests by the Holding Company and Related Party Transaction" (Announcement No.: Interim 2023-024) and "Connected Transaction – Transfer of Equity Interest in CSSC Finance" published on the SSE website (www.sse.com.cn), the Stock Exchange website (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn) on 1 June 2023.

On 29 June 2023, Wenchong Shipyard received the equity transfer price of RMB25.218 million paid by Nanjing CSSC Oasis Machinery Co., Ltd.. On 22 July 2023, CSSC Finance obtained the "Registration Confirmation Notice" issued by the Market Supervision Administration of China (Shanghai) Pilot Free Trade Zone. Wenchong Shipyard no longer held any equity interest in CSSC Finance.

Save as disclosed above, the Group did not conduct material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period. The Group currently has no specific plan for other major investments or acquisitions for significant capital assets or other businesses.

(VI) Analysis of major subsidiaries and associates

1. Analysis of direct and indirect subsidiaries and associates

Unit: RMB in ten thousand

Name of enterprise	Principal activities	Registered capital	Shareholding by the Company (%)	Total assets at the end of the period	Net assets at the end of the period	Net profit/loss for the current period
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	361,918.32	54.5371	3,036,315.05	677,575.66	-5,375.60
Guangzhou Shipyard International Company Limited	Metal shipbuilding; ship design; professional design services; shipbuilding; fabrication of metal structures; etc.	979,802.46	41.9170	3,670,346.48	891,998.66	2,065.71
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	142,017.85	100	547,631.70	214,087.51	3,330.75
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	6,800	100	247,961.48	-16,905.62	962.17
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	21,000	100	220,992.81	41,526.68	1,108.39
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	60	798.43	785.47	58.74
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	37.5	685.67	420.11	-99.64
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	2,852.78	650.16	57.10
Wah Loong International Marine Limited	Ship leasing	HK\$1 million	99	56,468.05	6,323.65	566.59
Wah Shun International Marine Limited	Ship leasing	HK\$1 million	99	508.30	347.51	-4.36
CSSC Industrial Internet Co., Ltd.	Information transmission, software and information technology services	5,000	100	5,620.54	2,181.85	256.09
Huacheng (Tianjin) Ship Leasing Co., Ltd.	Ship leasing	5	100	84,574.18	-2,366.32	-567.70
Huaxin (Tianjin) Ship Leasing Co., Ltd.	Ship leasing	5	100	45,009.07	-718.93	-724.04
Wan Xiang International Marine Limited	Ship leasing	HK\$10,000	100	0.13	-1.74	-0.64
Wan Sheng International Marine Limited	Ship leasing	HK\$10,000	100	52,373.47	3,154.05	1,401.12
Wan Yu International Marine Limited	Ship leasing	HK\$10,000	100	0.13	-1.74	-0.64
Wan Rui International Marine Limited	Ship leasing	HK\$10,000	100	0.13	-1.74	-0.64
Wan Xing International Marine Limited	Ship leasing	HK\$10,000	100	13,056.48	38.47	41.88
CSSC (Guangzhou) New Energy Co., Ltd.	Production of clean energy source	1,800	61.88	117.59	108.44	-1.62
Guangxi Wenchuan Heavy Industrial Co., Ltd.	Structures manufacturing of offshore wind power and ocean engineering	42,000	71.4	11,489.88	-85.44	-154.09

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Analysis of subsidiary with net profit or investee company with investment income accounting for over 10% of net profit of the Company

Unit: RMB in ten thousand

Name of entity	Income from principal business	Profit from principal business	Net profit
CSSC Huangpu Wenchong Shipbuilding Company Limited	510,346.56	9,671.11	-5,375.60
Guangzhou Wenchong Shipyard Co. Ltd.	159,254.83	6,491.90	3,330.75
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	113,953.91	7,255.57	962.17
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	59,354.05	5,033.97	1,108.39
CSSC Industrial Internet Co., Ltd.	2,457.72	754.71	256.09
Wah Loong International Marine Limited	1,171.55	453.80	566.59
Huacheng (Tianjin) Ship Leasing Co., Ltd.	877.68	-567.55	-567.70
Huaxin (Tianjin) Ship Leasing Co., Ltd.			-724.04
Wan Sheng International Marine Limited	2,721.89	1,657.56	1,401.12
Guangzhou Shipyard International Company Limited	655,136.17	49,149.78	2,065.71

3. Analysis of subsidiary or investee company with significant change in operating results which has material impact on the Company's consolidated operating results

Unit: RMB in ten thousand

Name of entity	Net profit in current period	Net profit in corresponding period of last year	Change (%)
CSSC Huangpu Wenchong Shipbuilding Company Limited	-5,375.60	11,702.29	Not applicable
Guangzhou Wenchong Shipyard Co. Ltd.	3,330.75	652.98	410.09
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	962.17	-6,044.03	Not applicable
Guangzhou Wenchuan Heavy Industrial Co., Ltd.	1,108.39	1,615.76	-31.40
Huaxin (Tianjin) Ship Leasing Co., Ltd.	-724.04	-0.02	Not applicable
Wan Sheng International Marine Limited	1,401.12	4.50	31,007.90

Description of changes in profit:

- During the Reporting Period, the operating results of Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering changed significantly period-on-period, of which, the net profit of Huangpu Wenchong decreased period-on-period, mainly attributable to the differences in the types of products from the corresponding period of the previous year, and the lower gross profit margins of certain products for which revenues were recognized during the Reporting Period; the net profits of Wenchong Shipyard and Huangchuan Ocean Engineering increased period-on-period, mainly attributable to the significant increase in production volume, which contributed the period-on-period increase in sales revenue, and the increase in gross profit recognized during the Reporting Period.
- During the Reporting Period, the net profit of Wenchuan Heavy Industrial decreased period-on-period, mainly attributable to the period-on-period decrease in completed products for which revenues were recognized, resulting in a period-on-period decrease in sales revenue realized and lower gross profit recognized.
- During the Reporting Period, the net profit of Huaxin (Tianjin) Ship Leasing Co., Ltd. decreased period-on-period, mainly attributable to the fact that it had not yet commenced its ship leasing business as of the end of the Reporting Period, but had incurred depreciation expenses on the ship assets acquired at the end of 2022; the net profit of Wan Sheng International Marine Limited increased period-on-period, mainly due to the gradual commencement of its ship leasing business during the Reporting Period, which had become profitable.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

V. OTHER DISCLOSURES

(I) Potential risks

1. Financial risks

- (1) Exchange rate risk: The Group's exchange rate risk arises from the possibility of the increase or decrease in the value of assets (or creditor's rights) and liabilities (or debts) denominated in foreign currencies due to exchange rate fluctuations. It is mainly concentrated on export shipbuilding orders denominated in United States dollars. The Group will continue to adhere to the aim of risk prevention. Based on the exchange rates at the time of the undertaking of orders by the Group, it will strengthen the analysis of exchange rate trend and formulate exchange rate risk prevention plans by using financial tools such as forward exchange contracts and options to protect against exchange rate risk.
- (2) Interest rate risk: The Group's interest rate risk is generated by bank borrowings and mainly comes from the uncertainty caused by changes in market interest rates. Floating interest rate may expose the Group to interest rate risk of cash flow, while fixed interest rate may expose the Group to interest rate risk of fair value. The Group carefully considers the changes in domestic and overseas market, economic environment and national monetary policies so as to make timely formulation and adjustments of effective interest rate risk management plans in light of its own production status.

For the extent of impact of change in exchange rate and interest rate on the Company, please refer to notes to the financial statements.

2. Customer risk

Affected by factors such as the global economy and shipping trades, ship owners may experience difficulties in financing and tight funds, resulting in default in shipbuilding payment, deferred recognition of delivery and amendment of contracts, or even abandonment of ships, which will subject the Company's orders on hand to default risk. The Group will further strengthen the management of contract performance, enhance the creditworthiness investigation of ship owners and project process management, increase ship owners' default cost and strengthen the early warning and monitoring of contractual performance so as to promote the delivery of orders on hand.

3. Cost risk

Given the Group's order-based production and long construction cycle, as well as fluctuations in raw materials (such as steel) prices, coupled with the increase in labour costs, there may be a passive increase in the costs of the Company's products under construction and it will be more difficult to control and reduce costs, which will have a certain impact on the Company's operating results. The Group will continue to improve efficiency and reduce costs across the entire industrial chain and optimise the product structure by promoting the mass production of main construction products and increasing the proportion of high value-added products to minimise the impact of cost fluctuations on the Company.

I. INFORMATION ON GENERAL MEETINGS

No. of session	Date of meeting	Index for search on websites designated for publishing resolutions	Date of disclosure	Resolutions at the meeting
First extraordinary general meeting of 2023	21 April 2023	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.sse.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	22 April 2023	Proposal on Signing of the Supplementary Agreement to 2023 Financial Services Framework Agreement between the Company and CSSC Finance Company Limited was considered and approved
Annual general meeting of 2022	24 May 2023	Website of the Company (comec.cssc.net.cn) Website of the SSE (www.sse.com.cn) Website of the Stock Exchange (www.hkexnews.hk)	25 May 2023	The Report of the Board for 2022, the Report of the Supervisory Committee for 2022, the Annual Report for 2022 (including the financial statements for 2022), the Profit Distribution Proposal for 2022, the Resolution on the Framework for the Guarantee Proposed to be Provided by the Subsidiaries for 2023 and Its Amounts, the Resolution on the Conduct of Foreign Exchange Derivative Transactions in 2023, the Resolution on the Appointment of Auditor for the Financial Report for 2023 of the Company, the Resolution on the Election of Directors of the Company were considered and approved

Description of general meetings

During the Reporting Period, the Company held a total of two general meetings, each of which was held in strict accordance with relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules for General Meetings of Listed Companies of the CSRC, the Code of Governance for Listed Companies, and the Articles of Association of the Company. Statutory procedures such as convening meetings, notice of meetings, presiding over meetings, voting on proposals and disclosure of information were carried out according to law, and lawyers attended and witnessed the meetings and issued the corresponding Legal Opinions. All the above proposals were considered and approved at the general meetings, and there was no case of rejection of any proposal.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change
Chen Zhongqian Yin Lu	Vice Chairman Director	Resigned Elected

Description of changes in Directors, supervisors and senior management of the Company

On 22 March 2023, the Board of the Company received a written resignation report from Mr. Chen Zhongqian, the vice Chairman of the Board. Mr. Chen Zhongqian resigned from the positions of the vice Chairman of the Board, a Director of the tenth session of the Board and a member of the Strategy Committee of the Board of the Company for reason of his retirement and effective from the date of the resignation report. Please refer to the announcement of the Company dated 22 March 2023 for details.

The Company held the nineteenth meeting of the tenth session of the Board and the annual general meeting for 2022 on 30 March 2023 and 24 May 2023, respectively, at which, the Proposal on Nominating a Candidate for the Non-executive Director of the Tenth Session of the Board of the Company, and the Resolution on the Election of Directors of the Company were considered and approved, and Mr. Yin Lu was elected to be a non-executive Director of the Company and a member of the Strategy Committee of the tenth session of the Board for a term of office ending on the date on which the term of office of the tenth session of the Board expires. Please refer to the announcements of the Company dated 30 March 2023 and 24 May 2023 for details.

III. PROFIT DISTRIBUTION PROPOSAL OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

The Company will not make profit distribution (that is, no distribution of the interim dividend for the six months ended 30 June 2023) or convert any capital reserve into share capital for the first half of 2023 (first half of 2022: nil).

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

I. ENVIRONMENT INFORMATION

(I) Description of the environment protection of the Company and its major subsidiaries falling to be the key waste water emission entities as announced by the environmental protection authorities of the PRC

Pursuant to the Notice of Guangzhou Municipal Ecological Environment Bureau on the Issuance of the List of Key Units for Environmental Supervision in Guangzhou in 2023 (Sui Huan [2023] No. 37) issued by Guangzhou Municipal Ecological Environment Bureau, three members of the Company, namely, Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering were included in the list of key units for environmental supervision in Guangzhou in 2023.

1. Information on pollution discharge

Name of major and specific pollutants	Emission method	Number and distribution of emission outlets	Emission concentration and total emission	Excess emission	Pollutant emission standards in effect	Approved total emission
Toluene	Organized emission (intermittent)	Huangpu Wenchong (4)	Average emission concentration 0.157mg/m ³ , total emission 8KG	None	Emission Limits of Air Pollutants (DB44/27- 2001) period II Standard Level 2	-
		Wenchong Shipyard (6)	Average emission concentration 1.89mg/m ³ , total emission 744KG	None		-
		Huangchuan Ocean Engineering (4)	Average emission concentration 0.08mg/m ³ , total emission 10.29KG	None		-
Xylene	Organized emission (intermittent)	Huangpu Wenchong (4)	Average emission concentration 0.69mg/m ³ , total emission 60.2KG	None	Emission Limits of Air Pollutants (DB44/27- 2001) period II Standard Level 2	-
		Wenchong Shipyard (6)	Average emission concentration 11.68mg/m ³ , total emission 849KG	None		-
		Huangchuan Ocean Engineering (4)	Average emission concentration 4.16mg/m ³ , total emission 781.22KG	None		-
VOCs	Organized emission (intermittent)	Huangpu Wenchong (4)	Average emission concentration 4.71mg/m ³ , total emission 320KG	None	Emission Limits of Air Pollutants (DB44/27- 2001) period II Standard Level 2	-
		Wenchong Shipyard (6)	Average emission concentration 23.82mg/m ³ , total emission 4,577KG	None		-
		Huangchuan Ocean Engineering (4)	Average concentration 4.17mg/m ³ , total emission 509.52KG	None		-
Particulate matter	Organized emission (intermittent)	Huangpu Wenchong (4)	Average emission concentration 3.3325mg/m ³ , total emission 240KG	None	Emission Limits of Air Pollutants (DB44/27- 2001) period II Standard Level 2	-
		Wenchong Shipyard (12)	Average emission concentration 2.91mg/m ³ , total emission 1,714KG	None		-
		Huangchuan Ocean Engineering (13)	Average emission concentration 21.2mg/m ³ , total emission 3,137.6KG	None		-
COD	Organized emission (intermittent)	Huangpu Wenchong (1)	Average emission concentration 61mg/L, total emission 9,330KG	None	Emission Limits of Water Pollutants in Guangdong Province period II Standard Level 3 for Class II Area	-
		Wenchong Shipyard (1)	Average emission concentration 45.5mg/L, total emission 7,740KG	None		-
		Huangchuan Ocean Engineering (1)	Average emission concentration 20mg/L, total emission 1,872.86KG	None	Emission Limits of Water Pollutants in Guangdong Province period II Standard Level 1	-
Ammonia nitrogen	Organized emission (intermittent)	Huangpu Wenchong (1)	Average emission concentration 7.83mg/L, total emission 1,180KG	None	Emission Limits of Water Pollutants in Guangdong Province period II Standard Level 3 for Class II Area	-
		Wenchong Shipyard (1)	Average emission concentration 0.2mg/L, total emission 1,543KG	None		-
		Huangchuan Ocean Engineering (1)	Average emission concentration 2.89mg/L, total emission 330 KG	None	Emission Limits of Water Pollutants in Guangdong Province period II Standard Level 1 for Class II Area	-

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

2. **Construction and operation of pollution prevention facilities**

(1) *Huangpu Wenchong*

Existing facilities of Huangpu Wenchong against environmental pollution: 6 sets of organic waste gas purification and treatment devices installed in two pretreatment lines, old painting and assembly workshop, new painting and assembly workshop, paint mixing workshop and hazardous waste warehouse respectively; 5 sets of dust removal facilities installed in two pretreatment lines, old painting and assembly workshop, new painting and assembly workshop and pipe processing workshops respectively. The organic waste gas purification and treatment device adopts the technical process of “activated carbon absorption + catalytic combustion, zeolite rotor + catalytic combustion”, and the dust treatment device adopts the method of cyclone dust removal + filter cartridge dust removal. It has also built a hazardous waste warehouse to store hazardous waste and prevent environmental pollution.

(2) *Wenchong Shipyard*

Existing facilities of Wenchong Shipyard against environmental pollution: 8 sets of organic waste gas purification devices (1 in each of painting workshop A and the pretreatment workshop, and 2 in each of the painting and assembly workshop D, E, and F), 7 sets of dust removal devices (1 in the pretreatment workshop, and 3 in each of workshop B and C), 6 sets of welding dust purification device (all installed in the pipe processing workshops). All units using these anti-pollution devices have kept regular maintenance of the devices with detailed operation record. The Company carries out real-time monitoring of VOC emissions. In the first half of 2023, we completed the renovation project of environmental protection facilities in the painting workshop A, and installed new online monitoring equipment (the former online monitoring equipment provided by the District Environmental Protection Bureau has been shut down). Currently, the new online monitoring system has been connected to the national pollution discharge management platform. It can conduct real-time monitoring on VOC emissions, and is now subject to acceptance inspection.

(3) *Huangchuan Ocean Engineering*

Huangchuan Ocean Engineering has established a sewage treatment station to treat general production waste water and domestic sewage; installed cyclone + filter cartridge dust collectors at the steel pretreatment line and sandblasting room, 12 sets of activated carbon adsorption + catalytic combustion purification treatment devices for organic waste gas, and 2 sets of zeolite rotor + CO purification devices. All these facilities operate normally. For production noise, it mainly reduces the impact of production noise through equipment selection, building enclosure, establishing sound insulation covers, and installing damping pads and mufflers.

3. **Environmental impact assessment for construction projects and other administrative permission for environmental protection**

Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering have implemented the item reporting and approval system in strict accordance with national laws and regulations. All items have project documents and environmental impact assessment report and have obtained approval for the environmental impact assessment for the items in accordance with the law. Construction projects have strictly implemented the “Three simultaneousness” system for environmental protection, with guaranteed investment in environmental protection facilities, and the environmental acceptance of the projects was completed in accordance with the requirements of the Environmental Impact Assessment approval.

Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering own the Pollution Discharge Permit and the Drainage Permit.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

4. *Emergency plans for sudden environmental events*

Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering have prepared the Emergency Rescue Plan for Environmental Emergencies in strict accordance with the “Measures for the Administration of Emergency Response Plans” issued by the General Office of the State Council, and has made a dossier at the local environmental protection department; at the same time, drills with site records and summary assessment are regularly conducted in compliance with the annual environment emergency drill plan so as to continuously improve the ability to deal with environment emergencies.

5. *Environmental self-monitoring solutions*

According to the State Environmental Protection Standard HJ819-2017 “General Rules for Self-monitoring Technical Guide for Emission Units”, Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering have developed their own environmental monitoring programs for posting on the National Pollutants Emission Permits Administration Information Platform. Qualified companies have been appointed by Huangpu Wenchong, Wenchong Shipyard and Huangchuan Ocean Engineering to carry out regular monitoring work, quarterly monitoring is performed on waste gas, waste water and noise emissions in each plant area, and test results are in compliance with the emissions standards. Test data is used to keep track of the operation of environmental protection equipment and facilities, with good maintenance and management to ensure that pollutant emissions meet and do not exceed the standards.

(II) **Relevant information on the protection of the ecology, prevention and control of pollution and fulfillment of environmental responsibilities**

The Group adheres to the environmental protection concept of “green shipbuilding and harmonious development”, incorporates ecological and environmental protection into the strategic elements of the enterprise, and actively explores the whole process control methods for source reduction, process control and end-of-pipe treatment. Through investment in research and development as well as technological innovation, the Group promotes the iterative upgrading of energy-saving and environment-friendly high-tech marine engineering equipment and strives to reduce the impact of product operation on the environment; in the course of production, the Group has optimized production processes, increased investment in environmental protection, improved environmental protection facilities and strengthened environmental protection infrastructure management to reduce the generation of waste at source, and promoted the recycling of resources and the reduction of waste disposal by improving the level of waste separation management and overall efficiency, so as to continuously promote the harmonious development of the economy and the ecological environment.

(III) **Measures taken to reduce its carbon emissions during the Reporting Period and their effectiveness**

The Group pays close attention to the trend of global climate change, fully implements various national and local policies and requirements, strictly complies with the contents of relevant international conventions, integrates carbon emission management into its energy management business and achieves direct and indirect reduction of carbon emissions through energy conservation and energy efficiency.

During the Reporting Period, the Company reduced carbon dioxide equivalent emissions by 5,222 tons through photovoltaic power generation and the employment of intelligent air compression stations, among which the distributed photovoltaic power stations at the Changzhou factory area and the Longxue factory cumulatively generated 6,591,900 kWh of clean electricity, reducing carbon dioxide equivalent emissions by 3,475 tons; in March 2023, the intelligent air compression station at the Longxue factory area was officially put into operation, and the average “electricity consumption per unit of production” was reduced by 0.0425kwh/m³ compared with that before the renovation, saving 3,315,700 kWh of electricity consumption, and reducing the carbon dioxide equivalent emissions by 1,747 tons.

II. **CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS IN POVERTY ALLEVIATION WORK AND RURAL REVITALISATION**

The Group actively responds to the State’s appeals, fulfills its social responsibility as a state-owned enterprise and actively participates in specific work such as consolidating and expanding the achievements in poverty alleviation and village revitalisation. During the Reporting Period, the Group purchased agricultural and sideline products from the paired assistance counties with a value of RMB173,700.9, and raised special funds of RMB100,000 for village revitalization.

I. FULFILLMENT OF UNDERTAKINGS

(I) Undertakings made by the actual controller, shareholders, related persons, buyers and the relevant parties of the Company made or effective during the Reporting Period

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed timely, describe plans in next steps	If not performed timely, the plans in the next step should be stated
Commitments made in a report of acquisition or a report on changes in equity	Others	China Shipbuilding Group	1. Independence of personnel: (1) to ensure that senior management personnel such as general manager, deputy general manager, financial controller and secretary to the Board of the listed company will not hold executive positions other than those of directors and supervisors in the Company and other affiliate entities controlled by the Company (hereinafter referred to as the "Affiliate Entities"), and will not receive salaries from the Company and the Affiliate Entities. (2) The financial officers of the listed company will not hold part-time positions with the Company and the Affiliate Entities of the Company. 2. Financial independence: (1) the listed company is guaranteed to have an independent financial accounting department and an independent financial accounting system and financial management system, and to make financial decisions independently. (2) To ensure that the listed company will remain independent in financial decision-making and that the Company and the Affiliate Entities of the Company will not interfere with the use of funds of the listed company. (3) To ensure that the listed company opens and settles bank accounts independently, and that it makes tax returns and fulfils its tax obligations independently in accordance with the law. 3. Institutional independence: (1) to ensure that the listed company and its subsidiaries establish and improve their corporate governance structure in accordance with the law and are able to operate independently and autonomously; to ensure that the offices and production and operation premises of the listed company are separate from those of the Company and the Affiliate Entities of the Company. (2) To ensure that the listed company and its subsidiaries operate independently and autonomously, and that there is no subordination relationship with the functional departments of the Company. 4. Independence of assets: (1) to ensure that the listed company has independent and complete assets. (2) To ensure that the Company and the Affiliate Entities of the Company do not misappropriate the assets, funds and other resources of the listed company. 5. Independence of business: (1) to ensure that the listed company is independent in its business and conducts its business activities independently. (2) To ensure that the listed company is independent in signing external contracts and conducting business, forming an independent and complete business system, carrying out independent accounting for operation and management, bearing responsibilities and risks independently, and having the ability to operate independently and on its own in the market.	Made on 30 June 2021	No	Yes	-	-

SECTION VI SIGNIFICANT EVENTS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed timely, describe plans in next steps	If not performed timely, the plans in the next step should be stated
	Solving peer competition	China Shipbuilding Group	<p>1. With regard to the peer competition between the Affiliate Entities of the Company and the listed company before or as a result of this transfer, the Company will, in accordance with the requirements of the relevant securities regulatory authorities and to the extent permitted by applicable laws and regulations and relevant regulatory rules, within five years from the date of this letter of undertaking, and on the principle of facilitating the development of the listed company and safeguarding the interests of Shareholders, in particular the interests of small and medium-sized shareholders, make comprehensive use of entrustment management, asset restructuring, equity exchange/transfer, asset transfer/sale, business combination, business adjustment or other lawful means to steadily promote the integration of the relevant assets and businesses in line with the injection into the listed company in order to resolve the issue of peer competition. 2. Before the elimination of peer competition between the listed company and the Affiliate Entities of the Company, the Company will strictly comply with the provisions of relevant laws, regulations and regulatory documents as well as the internal management system such as the Articles of Association of the listed company, exercise the rights of shareholders through shareholding relationship in accordance with the principle that state-owned assets are owned by the State and managed in a hierarchical manner, properly handle matters involving the interests of the listed company, not make use of its control position to obtain improper benefits or engage in transfer of benefits, and not engage in any acts that are detrimental to the legitimate interests of the listed company and its small and medium-sized shareholders.</p>	Within five years of the date of the commitment on 30 June 2021	Yes	Yes	-	-

SECTION VI SIGNIFICANT EVENTS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed timely, describe plans in next steps	If not performed timely, the plans in the next step should be stated
Undertaking relating to material asset reorganisation	Solving the defects on titles to lands	CSSC	<p>Arrangements for supporting the relocation and upgrading of Huangpu Wenchong and Wenchong Shipyard. Pursuant to the overall planning of Guangzhou Municipal Government, a land parcel of Huangpu Wenchong at Changzhou Street ("Changzhou Plant") and a land parcel located at Wenchong Plant owned by Wenchong Shipyard, a subsidiary of Huangpu Wenchong, are no longer suitable for industrial use in shipbuilding in accordance with the planning for the regions in which they are located, and will be recovered as reserve by Guangzhou Municipal Government. As such, in accordance with the relevant requirements for management of state-owned assets, these two parcels of land and buildings thereon will be transferred to Guangzhou Ship Industrial Co., Ltd. under CSSC for free. As for the transfer and subsequent matters, it was agreed as follows: 1. The transfer of land and buildings thereon was due to the adjustment to urban planning which caused these assets to be no longer suitable for incorporation into the Company. As such, during the transitional period before completion of the relocation of the Changzhou Plant and Wenchong Plant, in order to maintain normal production and operation of Huangpu Wenchong and Wenchong Shipyard, it was agreed that the land of Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, of which the ownership has been transferred to Guangzhou Ship Industrial Co., Ltd. under CSSC, will be leased to Huangpu Wenchong and Wenchong Shipyard for continued use, and the rent will be paid based on existing land amortisation, property depreciation and relevant taxes and expenses. In addition, CSSC will spare no efforts to facilitate Guangzhou Municipal Government in finalising the land for new plants and complete the relocation from Changzhou Plant and Wenchong Plant as soon as practicable. 2. Given certain granted land and properties in Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon are located on partially allocated land or are unlicensed real property, if such land or properties cannot continue to be utilised due to these arrangements and subsequently cause adverse impact to the production and operation of Huangpu Wenchong and Wenchong Shipyard, CSSC will actively coordinate in solving the issue and fully indemnify Huangpu Wenchong and Wenchong Shipyard in cash against any economic losses incurred. 3. CSSC will actively assist Huangpu Wenchong and Wenchong Shipyard in future communication with Guangzhou Municipal Government in compensation for the relocation.</p>	Made on 31 October 2014	No	Yes	-	-

SECTION VI SIGNIFICANT EVENTS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed timely, describe plans in next steps	If not performed timely, the plans in the next step should be stated
	Others	CSSC	1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expense is incurred by Huangpu Wenchong and Wenchong Shipyard due to relocation, as well as any expense incurred for some of the assets to be demolished, transported and installed, such expense shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard; 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, CSSC will make up the difference in cash within 90 days after relevant government compensation is in place.	Made on 3 March 2015	No	Yes	-	-
	Settlement of connected transactions	CSSC	1. Upon completion of the restructuring, CSSC and enterprises under control of CSSC and listed companies and subordinates will minimize and avoid related party transactions. 2. In conducting necessary and unavoidable connected transactions, it will ensure fair operation based on the principles of marketization and fair prices, and perform trading procedures and information disclosure obligations in accordance with relevant laws, regulations, rules and other normative documents and Articles of Association of COMEC, management system of connected transactions and other provisions. When voting on connected transactions at general meetings, it will abstain from voting. CSSC guarantees that it will not prejudice the legitimate rights and interests of listed companies and their shareholders through connected transactions. 3. It will exercise the rights of shareholders in accordance with relevant laws and regulations such as the Company Law of the People's Republic of China and the Articles of Association of COMEC; CSSC undertakes not to harm the legitimate interests of listed company and other shareholders with its status as a shareholder of listed company. 4. Once the letter of commitment is signed, it constitutes an effective, legal and binding commitment to CSSC. CSSC is willing to take full compensation for the economic losses caused to the listed company and its shareholders in violation of the above commitments.	Made on 7 August 2019	No	Yes	-	-
	Others	CSSC	Upon completion of the restructuring, CSSC, as the controlling shareholder of COMEC, will continue to exercise the rights of shareholders in accordance with laws, regulations and the Articles of Association of COMEC. CSSC will not affect the independence of COMEC by virtue of its status as a controlling shareholder and will maintain the independence of COMEC in terms of assets, personnel, finance, business and institutions.	Made on 7 August 2019	No	Yes	-	-

II. THERE WAS NO NON-OPERATIONAL APPROPRIATION OF FUNDS BY THE COMPANY'S CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD

III. THERE WAS NO BREACH OF GUARANTEE ON THE PART OF THE COMPANY DURING THE REPORTING PERIOD

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

- (1) It was considered and passed at the annual general meeting of 2022 of the Company that, BDO was re-appointed as the auditor for the financial report of the Company for 2023. The audit fee is RMB1.26 million (inclusive of tax). As of 31 December 2022, BDO has provided audit services to the Company for a continuous period of two years. The financial statements in the Company's annual report 2023 will be prepared according to the Accounting Standards for Business Enterprises of the PRC, and audited by BDO. BDO will retire upon expiry of the appointment term and offer themselves for re-appointment.
- (2) It was considered and passed at the 19th meeting of the tenth session of the Board that the Company re-appointed BDO as the Company's internal control auditor for 2023. The audit fee is RMB280,000 (inclusive of tax). BDO will carry out audit on the effectiveness of the Company's internal control and issue an audit report.

V. MATERIAL LITIGATION AND ARBITRATION

There was no material litigation or arbitration of the Company during the Reporting Period.

SECTION VI SIGNIFICANT EVENTS

VI. MATERIAL RELATED TRANSACTIONS

(I) Related transactions in the ordinary course of business

1. Matters disclosed in announcements with progress or change in the subsequent implementation

Related transactions related to daily operation for 2023 (from January to June)

Unit: RMB in ten thousand

No.	Content and type of transaction	Cap approved at general meeting	Actual transaction amount	Proportion of total amount of transactions of the same type (%)	Pricing basis
1 Products and services provided by the Group to CSSC					
1.1	Provision of shipping products, electrical and mechanical engineering equipment and metallic materials	163,000.00	14,612.86	2.48	Market price
1.2	Supply of utilities	50.00	11.76	15.93	Cost plus 20-25% of the management fee or the price no less favourable to the Group than that available from independent third parties
1.3	Leasing, labour supply, shipping products and environmental protection business including land restoration, and other technical services related to engineering	10,650.00	884.21	9.62	The price no less favourable to the Group than that available from independent third parties
2 Products and services provided by CSSC to the Group					
2.1	Provision of equipment for use on ships, electromechanical equipment, accessories and materials	850,000.00	248,331.22	51.48	Market price or agreement price or the price no higher to the Group than that available from independent third parties
2.2	Leasing, labour supply, technical services, etc.	93,650.00	21,336.42	14.30	The prices no less favourable to the Group than that available from independent third parties or cost plus 10% of management fee or market price
3 Guarantee services provided by CSSC to the Group					
3.1	Maximum guarantee amount	160,000.00		Not applicable	Guarantee fee is charged in accordance with general market practice and at a rate not higher than CSSC's external guarantee rates, and the relevant terms are no less favourable than those available from independent third parties
3.2	Guarantee fee	640.00		Not applicable	
4 Sales agency services provided by CSSC to the Group					
4.1	Sales agency fee	4,710.00	870.28	22.75	The agency fee shall follow the worldwide industry practice and will not exceed 1.5% of the contract price and be paid according to the shipbuilding progress of the vessel in question
5 Procurement agency services provided by CSSC to the Group					
5.1	Procurement agency fee	30.00		Not applicable	Generally 1-2% of the contract price in accordance with the worldwide industry practice
6 Financial services provided by CSSC Finance to the Group					
6.1	Deposits (maximum limit)	1,650,000.00	746,600.79	50.03	Benchmark deposit interest rate set by the People's Bank of China; on rate no less favourable to the Group than that available from independent third parties
6.2	Deposits (interest)	23,250.00	5,866.14	28.92	
6.3	Loans (maximum limit)	180,000.00	30,500.00	4.70	No higher than benchmark loan interest rate set by the People's Bank of China; on rate no less favourable to the Group than that available from independent third parties
6.4	Loans (interest)	6,000.00	310.08	5.16	
6.5	Others and bank facilities (maximum limit)	572,000.00	176,241.34	18.59	On terms no less favourable to the Group than those available from independent third parties
6.6	Others and bank facilities (financial handling fee)	390.00	79.61	17.32	
6.7	Foreign exchange services such as forward settlement and sale of foreign exchange (maximum limit)	300,000.00	171,252.55	15.24	On terms no less favourable to the Group than those available from independent third parties

Note: References to CSSC in the table refer to CSSC and its subsidiaries and associates.

SECTION VI SIGNIFICANT EVENTS

(II) Connected transactions in relation to the acquisition of assets or acquisition and disposal of equity interests

1. Matters disclosed in extraordinary announcements with progress or change in the subsequent implementation

On 1 June 2023, the Resolution on the Transfer of Equity Interests by the Holding Company and Related Party Transaction was considered and approved at the 21st meeting of the tenth session of the Board of the Company, approving Wenchong Shipyard, an indirectly controlling subsidiary of the Company, to transfer its 0.126% equity interest in CSSC Finance to Nanjing CSSC Oasis Machinery Co., Ltd. through a transfer agreement for a consideration of RMB25.218 million. Upon completion of the transaction, Wenchong Shipyard no longer held any equity interest in CSSC Finance. For details, please refer to the announcements titled “Announcement on the Resolution of the Twenty-First Meeting of the Tenth Session of the Board of COMEC”, “Announcement on the Transfer of Equity Interests by the Holding Company and Related Party Transaction” and “Connected Transaction – Transfer of Equity Interest in CSSC Finance” published on the SSE website (www.sse.com.cn), the Stock Exchange website (www.hkexnews.hk) and the website of the Company (comec.cssc.net.cn) on 1 June 2023.

On 29 June 2023, Wenchong Shipyard received the equity transfer price of RMB25.218 million paid by Nanjing CSSC Oasis Machinery Co., Ltd. On 22 July 2023, CSSC Finance obtained the Registration Confirmation Notice issued by the Market Supervision Administration of China (Shanghai) Pilot Free Trade Zone. Wenchong Shipyard no longer held any equity interest in CSSC Finance.

(III) Financial operations between the Company and related financial companies, financial companies controlled by the Company and related parties

1. Deposit business

Unit: RMB in ten thousand

Related party	Type of relationship	Maximum daily deposit limit	Range of deposit rates	Opening balance	Current balance		Closing balance
					Total amount deposited in the period	Total amount withdrawn in the period	
CSSC Finance Company Limited	Controlled by the same controlling shareholder	1,650,000.00	Benchmark deposit interest rate set by the People's Bank of China; on rate no less favourable to the Group than the terms available from independent third parties	620,336.77	2,833,829.74	2,882,901.06	528,516.51
Total	/	/	/	620,336.77	2,833,829.74	2,882,901.06	528,516.51

2. Loan business

Unit: RMB in ten thousand

Related party	Type of relationship	Loan limit	Range of loan interest rate	Opening balance	Current balance		Closing balance
					Total amount borrowed in the period	Total amount repaid in the period	
CSSC Finance Company Limited	Controlled by the same controlling shareholder	180,000.00	No more than benchmark loan interest rate set by the People's Bank of China; on rate no less favourable to the Group than the terms available from independent third parties	30,500.00	5,000.00	5,000.00	30,500.00
Total	/	/	/	30,500.00	5,000.00	5,000.00	30,500.00

SECTION VI SIGNIFICANT EVENTS

3. Facilities business or other financial business

Unit: RMB in ten thousand

Related party	Type of relationship	Business type	Total	Actual transaction amount
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Deposits (interest)	23,250.00	5,866.14
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Loans (interest)	6,000.00	310.08
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Others and bank facilities (maximum limit)	572,000.00	176,241.34
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Others and bank facilities (handling fee)	390.00	79.61
CSSC Finance Company Limited	Controlled by the same controlling shareholder	Foreign exchange services such as forward settlement and sale of foreign exchange (maximum limit)	300,000.00	171,252.55

VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

1. Leases

Unit: RMB Yuan

Name of lessor	Name of lessee	Leased assets	Amount of lease 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 Co., Ltd.	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
Guangdong COSCO SHIPPING Heavy Industry Co., Ltd. (廣東中遠海運重工有限公司)	Wenchuan Heavy Industrial	Land, buildings and-structures	-	2021.7.9	2026.7.8	-	-	-	No	-
Guangdong Guangxin Shipbuilding Trading Company Limited (廣東廣新船殼貿易有限公司)	Wenchuan Heavy Industrial	Land, buildings and-structures	-	2022.7.1	2024.4.30	-	-	-	No	-

Description of leases

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

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

SECTION VI SIGNIFICANT EVENTS

Guangdong COSCO SHIPPING Heavy Industry Co., Ltd. entered into the Site and Equipment Lease Contract with Wenchuan Heavy Industrial, 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 operational use. The lease fee of the land use right shall be determined in accordance with the contract, and the rent shall be paid monthly in the form of monetary funds. The lease term of the aforementioned land use rights started from 9 July 2021 and ended on 8 July 2026.

Guangdong Guangxin Shipbuilding Trading Company Limited entered into the Plant and Site Lease Contract with Wenchuan Heavy Industrial, 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 operational use. The lease fee of the plant and equipment shall be determined in accordance with the contract, and the rent shall be paid monthly in the form of monetary funds. The lease term of the aforementioned land use rights started from 1 July 2022 and ended on 30 April 2024.

2. Significant guarantees performed and outstanding during the Reporting Period

Unit: RMB Yuan

Guarantor	Relationship between guarantor and entity the Company	Guaranteed Amount of guarantee	Date of guarantee (date of signing of agreement)	External guarantees by the Company (excluding guarantees for its subsidiaries)							Overdue amount	Reverse guarantee	Whether provided for by related party	Relationship	
				Date of Commencement of Guarantees	Date of expiry of Guarantees	Type of guarantee	Main debt	Collateral (if any)	Whether fully executed	Whether guarantee is overdue					
Total amount of guarantees during the Reporting Period (excluding guarantees provided for its subsidiaries)													-		
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees provided for its subsidiaries)													-		
Guarantees provided by the Company for its subsidiaries															
Total amount of guarantees provided for its subsidiaries during the Reporting Period													300,000,000.00		
Total balance of guarantees provided for its subsidiaries at the end of the Reporting Period (B)													128,003,137.36		
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)															
Total amount of guarantees (A+B)													128,003,137.36		
Total amount of guarantees as a percentage of the Company's net assets (%)													0.64		
Including:															
Amount of guarantees provided for shareholders, actual controllers and related parties (C)													-		
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio over 70% (D)													128,003,137.36		
Total amount of guarantees in excess of 50% of net assets (E)													-		
Sum of the above three guarantees (C+D+E)													128,003,137.36		
Description of outstanding guarantees which may incur joint and several liability													-		
Description of guarantees													-		

During the Reporting Period, the Group provided external guarantee with an accumulated amount of RMB300 million, 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. During the Reporting Period, the Group provided external guarantees with a total balance of RMB128 million, all of them were guarantees provided by the Company's subsidiary Huangpu Wenchong to its wholly-owned subsidiaries. The guaranteed items are comprehensive credit guarantee and financing project guarantee.

SECTION VI SIGNIFICANT EVENTS

VIII. CORPORATE GOVERNANCE

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

1. Corporate Governance

The Company keeps improving its corporate governance structure in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations issued by the CSRC and the requirements of the listing rules of the SSE and the Stock Exchange. To date, the Company's governance had no material difference from the Company Law of the People's Republic of China and relevant regulations of the CSRC.

During the six months ended 30 June 2023, the Company has adopted the codes set out in the CG Code and save as disclosed below, has complied with all the code provisions, except that for the purpose of Code Provision C.1.6 of Part 2 of the CG Code, Mr. Xiang Huiming, being an executive Director, Mr. Chen Ji and Mr. Ren Kaijiang, both being non-executive Directors, were unable to attend the 2023 first extraordinary general meeting of the Company held on 21 April 2023 for work reasons; and Mr. Xiang Huiming, being an executive Director, Mr. Chen Ji and Mr. Gu Yuan, both being non-executive Directors, were unable to attend the 2022 annual general meeting of the Company held on 24 May 2023 for work reasons. For the purpose of the requirements of principle C.2 of Part 2 of the CG Code and the code provisions applicable to the chairman, the former Chairman of the Company resigned due to retirement, and as at the date of this report, the Company has yet to have elected a new director to replace Mr. Han Guangde, being the former Chairman, in relation to the positions of the Chairman of the Company, a Director and the chairman of the Strategy Committee of the Board. Mr. Han Guangde's resignation did not affect the normal operation of the Board of the Company, and the Company will elect a new Chairman as soon as possible in accordance with relevant laws and regulations and the Articles of Association of the Company, so as to ensure full compliance with the requirements of the above CG Code requirements and the continued and better performance of corporate governance duties.

2. Securities Transactions by Directors

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

3. Meetings of the Board

Up to the end of the Reporting Period, a total of four meetings (including three in written format) were held by the Board. All Directors attended these meetings (including attendance by proxy).

In addition, the Audit Committee of the Board held four meetings to consider resolutions including the annual report of the Company for year 2022, the report on the internal control review, and the first quarterly report for year 2023; the Emolument and Examination Committee of the Board held two meetings to consider the resolutions on the remuneration of the Directors, Supervisors and senior management of the Company for year 2022 and on the business performance responsibility statement of the management members of the Company for year 2023; the Nomination Committee of the Board held one meeting to consider the resolution on nominating a candidate for the non-executive Director of the tenth session of the Board of the Company.

IX. OUTLOOK

1. Industry development

The new shipbuilding market is expected to achieve resilient recovery and development. Although the impact of high vessel prices and tight supply of berthing areas still exists, the new shipbuilding market is supported by favourable factors such as the recovery of oil tanker orders and the green transformation of the shipping industry, the order volume significantly exceeds the market forecast at the beginning of the year. The transaction volume of global orders for new ships is expected to reach approximately 90 million DWT in 2023.

The offshore engineering market tends to be improving as driven by international oil prices. At present, the international oil price is at a relatively high level, which is able to provide a better coverage of the cost of offshore oil and gas development projects. With the significant growth in offshore oil and gas development activities and the substantial growth in offshore engineering equipment adoption rate and rental rate, the development of the offshore engineering equipment newbuilding market will remain stable and improving. However, in the short term, due to factors such as rising newbuilding prices, tight construction resources and financing difficulties, it is estimated that the turnover of offshore engineering equipment will be around US\$22 billion in 2023, which is slightly lower than the level in 2022.

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, deepsea and floating type wind turbines. The “Wind Power+” diversified development will also provide new driving forces for the marine economy.

Note: The above information and data are from China Shipbuilding Industrial Economy Research Centre.

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 of “marine defense equipment industry”, “ship and offshore engineering equipment industry” and “marine science and technology innovation and application industry”, fully aligns with major strategies including the “Belt and Road” initiative, military-civilian integration development for the building of a strong manufacturing country and a strong maritime country, focusing on “optimising structure, deepening reform, and innovative development” and promoting the expansion and extension of the traditional manufacturing industry in a direction towards higher value, so as to strengthen and optimise its main business, vigorously expand emerging industries, accelerate the Company's transformation and upgrading, and achieve high-quality development.

3. 2023 business plan

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 undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investment risks.

SECTION VI SIGNIFICANT EVENTS

X. OTHERS

1. Details of pledges and charges of the assets of the Group

As at 30 June 2023, the Company had a total of bank deposits amounting to RMB3 million used to secure bank acceptance notes, letters of guarantee, letters of credit and as deposit for bank drafts; a total of RMB4 million of notes receivable was pledged to secure bank acceptance notes obtained. Save as disclosed above, no other assets of the Group were subject to pledge or charge.

2. Gearing ratio

As at 30 June 2023, the Group's gearing ratio (calculated by total liabilities/total assets x 100%) was 57.08%, representing a decrease of 2.60 percentage points as compared with 59.68% of the beginning of the Reporting Period.

3. Repurchase, sale or redemption of securities of the Company

During the Reporting Period, the Group did not purchase, sell or redeem any of the listed securities of the Company or any of its subsidiaries.

4. Public Float

Based on the information that was publicly available and to the best knowledge and belief of the Directors, the Company had maintained the prescribed public float throughout the six months ended 30 June 2023 and up to the date of this report as required under the Listing Rules.

5. Liquidity, financial resources and treasury policies

The main objectives of the Group's capital management are to ensure the Group's ability to continue as a going concern so as to continuously provide returns to shareholder and other stakeholders; and to price the products and services according to the risk level so as to provide adequate returns to shareholders. The Group actively and regularly reviews and manages its capital structure and makes adjustments taking into account changes in the economic environment, future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and expected strategic investments. Details of the Group's total bank borrowings and cash in bank and on hand (including bank deposits and cash on hand, etc.) at the end of the Reporting Period are set out in the notes to the financial statements.

6. Events after the Reporting Period

Reference is made to the announcement of the Company dated 30 August 2023 in relation to, among others, CSSC Holdings shall make a capital contribution to GSI with the funds it raised in the sum of RMB284,858,000 owing to the the construction needs of the fund-raising projects of GSI. Based on the actual situation of the Company, the Company shall waive its to exercise pro-rata capital contribution to GSI, there will be no change in the scope of the Company's consolidated statements. Following the completion of the Capital Increase, the shareholding of the Company in GSI will be reduced from 41.9170% to 41.0248%, which will not have any material impact on the normal production and operation and the financial position of the Company, and is consistent with the interests of the Shareholders of the Company as a whole.

Save for the aforesaid, the Group has no material event after the Reporting Period required to be disclosed as at the date of this report.

SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

There was no change in the total number and structure of shares of the Company during the Reporting Period.

II. SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders at the end of the Reporting Period	78,614
Total number of shareholders of preference shares with restored voting right at the end of the Reporting Period	0

(II) Shareholding of top ten shareholders, top ten shareholders of circulating shares (or holders of shares not subject to selling restriction) at end of the Reporting Period

Unit: Share

Shareholding of top ten shareholders							
Name of shareholder (full name)	Change during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restriction	Pledged, marked or locked up Share status	Number	Nature of shareholder
HKSCC NOMINEES LIMITED	195,600	589,431,618	41.70	0	None	-	Overseas legal person
China State Shipbuilding Corporation Limited	0	481,337,700	34.05	0	None	-	State-owned legal person
China Merchants Bank Co., Ltd. – E Fund High Quality and Strict Selection Three-Year Hybrid Securities Investment Fund	6,326,200	16,225,269	1.15	0	None	-	Others
China Merchants Bank Co., Ltd. – Southern Alpha Hybrid Securities Investment Fund	7,232,920	7,232,920	0.51	0	None	-	Others
Bank of China Limited – UBS SDIC National Security Flexible Allocation Hybrid Securities Investment Fund	6,250,665	6,250,665	0.44	0	None	-	Others
Bank of China Limited – E Fund Steady Yield Bond Securities Investment Fund	2,424,101	5,062,911	0.36	0	None	-	Others
Yangzhou Kejin Shipyard Co., Ltd.	0	4,599,086	0.33	0	Pledged	4,300,000	Domestic non-state-owned legal person
China Merchants Bank Co., Ltd. – E Fund Ruiheng Flexible Allocation of Hybrid Securities Investment Fund	-3,173,949	4,557,147	0.32	0	None	-	Others
E Fund – China Reform State-owned Enterprise New Development Pattern Private Equity Investment Fund – E Fund – State-owned Enterprise Stable Income – 1 Single Asset Management Plan	-8,770,857	3,707,826	0.26	0	None	-	Others
Beijing Yongquan Runwu Private Fund Management Co., Ltd. – Yongquan No. 1 private securities investment fund	3,579,516	3,579,516	0.25	0	None	-	Others

SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

Shareholding of top ten shareholders not subject to selling restrictions

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	589,431,618	Overseas listed foreign shares	589,431,618
China State Shipbuilding Corporation Limited	481,337,700	Ordinary shares denominated in RMB	481,337,700
China Merchants Bank Co., Ltd. – E Fund High Quality and Strict Selection Three-Year Hybrid Securities Investment Fund	16,225,269	Ordinary shares denominated in RMB	16,225,269
China Merchants Bank Co., Ltd. – Southern Alpha Hybrid Securities Investment Fund	7,232,920	Ordinary shares denominated in RMB	7,232,920
Bank of China Limited – UBS SDIC National Security Flexible Allocation Hybrid Securities Investment Fund	6,250,665	Ordinary shares denominated in RMB	6,250,665
Bank of China Limited – E Fund Steady Yield Bond Securities Investment Fund	5,062,911	Ordinary shares denominated in RMB	5,062,911
Yangzhou Kejin Shipyard Co., Ltd.	4,599,086	Ordinary shares denominated in RMB	4,599,086
China Merchants Bank Co., Ltd. – E Fund Ruiheng Flexible Allocation of Hybrid Securities Investment Fund	4,557,147	Ordinary shares denominated in RMB	4,557,147
E Fund – China Reform State-owned Enterprise New Development Pattern Private Equity Investment Fund			
– E Fund – State-owned Enterprise Stable Income			
– 1 Single Asset Management Plan	3,707,826	Ordinary shares denominated in RMB	3,707,826
Beijing Yongquan Runwu Private Fund Management Co., Ltd. – Yongquan No. 1 private securities investment fund	3,579,516	Ordinary shares denominated in RMB	3,579,516
Description of special account for repurchase of the top ten shareholders			–
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above shareholders			–
Explanation on the related party relationship or acting in concert among the above shareholders			–
Explanation on shareholders of preference shares with the voting rights restored and their shareholding			–

III. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the following persons (other than Directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO:

	Class of shares	Number of long positions held (shares)	Capacity	Approximate shareholding percentage of issued H Shares (%)	Approximate shareholding percentage of issued A Shares (%)	Percentage of total issued share capital (%)
CSSC	A Shares	481,337,700 (L)	Beneficial owner	–	58.60%	34.05%
CSSC International Holding Company Limited	H Shares	345,940,890 (L)	Beneficial owner	58.43%	–	24.47%

Note: L = Long position S = Short position P = Lending pool

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 30 June 2023.

SECTION VII CHANGES IN SHARES AND SHAREHOLDERS

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 22 March 2023, the Board of the Company received a written resignation report from Mr. Chen Zhongqian, the vice Chairman of the Board. Mr. Chen Zhongqian resigned from the positions of the vice Chairman of the Board, a Director of the tenth session of the Board and a member of the Strategy Committee of the Board of the Company for reason of his retirement and effective from the date of the resignation report. Please refer to the announcement of the Company dated 22 March 2023 for details.

The Company held the nineteenth meeting of the tenth session of the Board and the annual general meeting for 2022 on 30 March 2023 and 24 May 2023, respectively, at which, the Proposal on Nominating a Candidate for the Non-executive Director of the Tenth Session of the Board of the Company, and the Resolution on the Election of Directors of the Company were considered and approved, and Mr. Yin Lu was elected to be a non-executive Director of the Company and a member of the Strategy Committee of the tenth session of the Board for a term of office ending on the date on which the term of office of the tenth session of the Board expires. Please refer to the announcements of the Company dated 30 March 2023 and 24 May 2023 for details.

As at the end of the Reporting Period, the Board comprised ten Directors, namely executive Directors Mr. Chen Liping and Mr. Xiang Huiming; non-executive Directors Mr. Chen Ji, Mr. Gu Yuan, Mr. Ren Kaijiang and Mr. Yin Lu; and independent non-executive Directors Mr. Yu Shiyou, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian.

(II) OTHER EXPLANATIONS

(1) *Equity interest of Directors, Supervisors and Senior Management*

As at 30 June 2023, none of the Directors, chief executive officer or Supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations within the definition of Part XV of the SFO which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, chief executive officer or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

(2) *Employees and remuneration policies*

The remuneration of the employees of the Group includes salaries, bonuses and other fringe benefits prescribed by the government. The Group applies different rates of remuneration for different employees, which are determined based on their positions and performance pursuant to the relevant laws and regulations of the People's Republic of China. As at 30 June 2023, the Group had a total of 5,162 employees. For the six months ended 30 June 2023, the remuneration paid by the Group to employees was RMB446 million in aggregate.

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Consolidated balance sheet 30 June 2023

Assets	Note	30 June 2023	31 December 2022
Current assets:			
Cash at bank and on hand	V. (1)	9,891,953,817.90	14,813,771,761.29
Settlement reserve			
Placements with banks and non-bank financial institutions			
Financial assets held-for-trading	V. (2)	4,939,799.96	29,872,972.39
Derivative financial assets			
Notes receivable	V. (3)	17,175,915.76	86,019,898.33
Accounts receivable	V. (4)	1,615,659,264.38	1,068,053,871.94
Receivable financing	V. (5)	113,711,656.69	111,888,545.80
Prepayments	V. (6)	3,257,290,286.58	2,892,088,396.57
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	V. (7)	62,946,641.92	60,834,609.19
Financial assets purchased under agreements to resell			
Inventories	V. (8)	5,413,145,291.23	4,353,610,820.41
Contract assets	V. (9)	3,832,164,584.23	2,294,261,099.29
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	V. (10)	197,911,915.27	134,733,999.65
Total current assets		24,406,899,173.92	25,845,135,974.86
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables	V. (11)	2,080,335,058.34	2,152,535,952.28
Long-term equity investments	V. (12)	5,196,499,496.96	5,576,276,499.57
Investments in other equity instruments	V. (13)	7,196,651,479.05	4,911,318,677.22
Other non-current financial assets			
Investment properties	V. (14)	132,917,919.06	136,186,631.58
Fixed assets	V. (15)	5,354,490,301.67	5,354,647,353.76
Construction in progress	V. (16)	288,236,906.24	277,015,334.55
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V. (17)	167,115,524.81	183,901,510.27
Intangible assets	V. (18)	900,514,593.24	910,432,718.07
Development expenses	V. (19)		
Goodwill			
Long-term deferred expenses	V. (20)	47,254,733.50	49,583,618.68
Deferred tax assets	V. (21)	372,859,588.24	374,959,504.28
Other non-current assets	V. (22)	723,078,104.66	736,372,873.26
Total non-current assets		22,459,953,705.77	20,663,230,673.52
Total assets		46,866,852,879.69	46,508,366,648.38

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Liabilities and owners' equity	Note	30 June 2023	31 December 2022
Current liabilities:			
Short-term borrowings	V. (23)	1,605,943,583.33	2,881,008,138.92
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading	V. (24)	43,757,562.10	5,919,716.73
Derivative financial liabilities			
Notes payable	V. (25)	1,712,111,908.09	2,984,392,901.64
Accounts payable	V. (26)	5,269,070,627.09	4,541,444,942.07
Advances from customers			
Contract liabilities	V. (27)	13,028,870,648.48	11,979,592,304.12
Securities sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	V. (28)	136,349,582.75	1,179,807.93
Taxes payable	V. (29)	25,522,975.39	76,728,304.39
Other payables	V. (30)	293,302,983.93	273,196,896.59
Fee and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	V. (31)	1,120,505,475.10	1,459,215,392.42
Other current liabilities	V. (32)	110,090,217.70	158,671,658.76
Total current liabilities		23,345,525,563.96	24,361,350,063.57
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	V. (33)	1,725,816,000.00	2,230,247,510.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	V. (34)	104,925,477.30	114,585,384.56
Long-term payables			
Long-term employee benefits payable	V. (35)	119,849,261.13	129,074,455.73
Estimated liabilities	V. (36)	149,009,322.56	136,750,611.11
Deferred income	V. (37)	72,578,160.61	87,673,373.52
Deferred tax liabilities	V. (21)	1,100,695,126.31	530,873,731.81
Other non-current liabilities	V. (38)	132,462,293.42	166,058,913.54
Total non-current liabilities		3,405,335,641.33	3,395,263,980.27
Total liabilities		26,750,861,205.29	27,756,614,043.84

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Liabilities and owners' equity	Note	30 June 2023	31 December 2022
Owners' equity:			
Share capital	V. (39)	1,413,506,378.00	1,413,506,378.00
Other equity instruments Including: Preference shares Perpetual bonds			
Capital reserve	V. (40)	9,001,688,003.73	9,375,981,708.49
Less: Treasury shares			
Other comprehensive income	V. (41)	3,174,199,117.54	1,450,554,845.16
Special reserve	V. (42)		
Surplus reserve	V. (43)	1,111,646,419.34	1,111,646,419.34
Provision for general risks			
Retained earnings	V. (44)	2,246,018,306.04	2,236,913,341.23
Total equity attributable to shareholders of the Parent Company		16,947,058,224.65	15,588,602,692.22
Non-controlling interests	V. (45)	3,168,933,449.75	3,163,149,912.32
Total owners' equity		20,115,991,674.40	18,751,752,604.54
Total liabilities and owners' equity		46,866,852,879.69	46,508,366,648.38

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Balance sheet of the Company 30 June 2023

Assets	Note	30 June 2023	31 December 2022
Current assets:			
Cash at bank and on hand	XVI. (1)	1,449,264,832.97	1,431,102,333.93
Financial assets held-for-trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVI. (2)	153,693.77	4,859,222.94
Receivable financing			
Prepayments			
Other receivables	XVI. (3)	554,505.40	794,605.06
Inventories	XVI. (4)	24,909,034.04	24,909,034.04
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	XVI. (5)	20,588,552.92	20,817,863.40
Total current assets		1,495,470,619.10	1,482,483,059.37
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVI. (6)	6,795,168,969.80	7,162,989,992.29
Investments in other equity instruments	XVI. (7)	7,157,757,685.56	4,845,786,728.48
Other non-current financial assets			
Investment properties	XVI. (8)	132,917,919.06	136,186,631.58
Fixed assets	XVI. (9)	4,426,055.09	4,642,135.34
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	XVI. (10)	158,488.36	
Other non-current assets			
Total non-current assets		14,090,429,117.87	12,149,605,487.69
Total assets		15,585,899,736.97	13,632,088,547.06

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Liabilities and owners' equity	Note	30 June 2023	31 December 2022
Current liabilities:			
Short-term borrowings			
Financial liabilities held-for-trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	XVI. (11)	17,388,661.11	22,976,208.62
Advances from customers			
Contract liabilities	XVI. (12)	24,173,111.03	24,173,111.03
Employee benefits payable	XVI. (13)		
Taxes payable	XVI. (14)	2,357,683.32	683,214.76
Other payables	XVI. (15)	14,974,025.53	909,391.83
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		58,893,480.99	48,741,926.24
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities	XVI. (10)	1,074,968,621.39	496,975,882.12
Other non-current liabilities			
Total non-current liabilities		1,074,968,621.39	496,975,882.12
Total liabilities		1,133,862,102.38	545,717,808.36
Owners' equity:			
Share capital	XVI. (16)	1,413,506,378.00	1,413,506,378.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	XVI. (17)	8,209,301,383.45	8,583,595,088.21
Less: Treasury shares			
Other comprehensive income	XVI. (18)	3,225,934,169.82	1,491,982,474.20
Special reserve			
Surplus reserve	XVI. (19)	628,168,219.37	628,168,219.37
Retained earnings	XVI. (20)	975,127,483.95	969,118,578.92
Total equity		14,452,037,634.59	13,086,370,738.70
Total liabilities and equity		15,585,899,736.97	13,632,088,547.06

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Consolidated Income Statement From January to June 2023

Item	Note	1st half of 2023	1st half of 2022
I. Total operating income		5,982,333,803.04	4,271,202,500.99
Including: Operating income	V. (49)	5,982,333,803.04	4,271,202,500.99
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		5,941,223,372.75	4,262,331,150.93
Including: Operating costs	V. (49)	5,611,512,672.88	3,977,648,314.95
Interest expense			
Fee and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net increase in insurance contracts reserve			
Policy dividend payment			
Reinsured expenses			
Taxes and surcharges	V. (50)	8,481,515.13	10,590,337.20
Selling expenses	V. (51)	43,610,333.25	38,110,356.05
Administrative expenses	V. (52)	273,840,779.15	245,491,846.23
Research and development expense	V. (53)	231,432,606.50	221,092,386.17
Finance cost	V. (54)	-227,654,534.16	-230,602,089.67
Including: Interest expenses	V. (54)	60,050,142.80	70,720,155.93
Interest income	V. (54)	202,806,848.14	230,567,348.75
Add: Other income	V. (55)	46,302,509.17	26,918,135.72
Investment income (loss expressed with "-")	V. (56)	-20,287,931.58	-24,331,129.96
Including: Income from investment in associates and joint ventures	V. (56)	-5,456,775.66	6,186,446.15
Derecognition income of financial assets measured at amortisation cost			
Exchange gain (loss expressed with "-")			
Net gain from exposure hedging (loss expressed with "-")			
Gain from change in fair value (loss expressed with "-")	V. (57)	-43,234,836.94	17,336,152.70
Loss on impairment of credit (loss expressed with "-")	V. (58)	-6,523,917.58	24,145,248.32
Loss on impairment of assets (loss expressed with "-")	V. (59)	-4,457,594.94	-25,904,928.57
Gains from disposal of assets (loss expressed with "-")			
III. Operating profit (loss expressed with "-")		12,908,658.42	27,034,828.27
Add: Non-operating income	V. (60)	1,825,065.55	2,016,537.01
Less: Non-operating expenses	V. (61)	1,297,967.14	712,882.16
IV. Total profit (total loss expressed with "-")		13,435,756.83	28,338,483.12
Less: Income tax expense	V. (62)	-4,770,338.94	-100,008.09
V. Net profit (net loss expressed with "-")		18,206,095.77	28,438,491.21
(I) By continuity of operations			
1. Net profit from continuing operations (net loss expressed with "-")		18,206,095.77	28,438,491.21
2. Net profit from discontinued operations (net loss expressed with "-")			
(II) By ownership			
1. Net profit attributable to shareholders of the Company (net loss expressed with "-")		12,665,284.90	18,928,805.72
2. Gain or loss attributable to non-controlling interests (net loss expressed with "-")		5,540,810.87	9,509,685.49

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Item	Note	1st half of 2023	1st half of 2022
VI. Net other comprehensive income after tax		1,734,461,742.63	-960,603,195.65
Net other comprehensive income after tax attributable to owners of the Parent Company		1,734,219,016.07	-954,835,616.92
(I) Other comprehensive income that may not be subsequently reclassified to profit or loss		1,732,714,093.83	-956,278,232.71
1. Change in re-measurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		-26,522.19	-150,727.84
3. Change in fair value of investments in other equity instruments		1,732,740,616.02	-956,127,504.87
4. Change in fair value of own credit risk			
(II) Other comprehensive income will be subsequently reclassified to profit or loss		1,504,922.24	1,442,615.79
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedges reserve			
6. Exchange differences arising from translation of foreign currency financial statements		1,504,922.24	1,442,615.79
7. Others			
Net other comprehensive income after tax attributable to non-controlling interests		242,726.56	-5,767,578.73
VII. Total comprehensive income		1,752,667,838.40	-932,164,704.44
Total comprehensive income attributable to owners of the company		1,746,884,300.97	-935,906,811.20
Total comprehensive income attributable to non-controlling interests		5,783,537.43	3,742,106.76
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.0090	0.0134
(II) Diluted earnings per share (RMB/share)		0.0090	0.0134

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Income statement of the Company From January to June 2023

Item	Note	1st half of 2023	1st half of 2022
I. Operating income	<i>XVI. (23)</i>	6,546,600.00	6,546,600.00
Less: Operating costs	<i>XVI. (23)</i>	3,268,712.52	3,268,712.52
Taxes and surcharges	<i>XVI. (24)</i>	45,684.84	45,319.32
Selling expenses			
Administrative expenses	<i>XVI. (25)</i>	7,587,938.80	6,143,004.88
Research and development expense			
Finance cost	<i>XVI. (26)</i>	-19,322,148.02	-12,564,904.12
Including: Interest expenses	<i>XVI. (26)</i>		265.23
Interest income	<i>XVI. (26)</i>	19,331,504.58	12,568,994.83
Add: Other income	<i>XVI. (27)</i>	103,521.97	141,292.31
Investment income (loss expressed with "-")	<i>XVI. (28)</i>	6,499,204.46	6,846,849.39
Including: Investment income from associates and joint ventures	<i>XVI. (28)</i>	6,499,204.46	6,846,849.39
Derecognition income of financial assets measured at amortised cost			
Net gain on exposure hedging (loss expressed with "-")			
Gains from change in fair value (loss expressed with "-")	<i>XVI. (29)</i>		9,813,000.00
Loss on impairment of credit (loss expressed with "-")	<i>XVI. (30)</i>	522,836.58	-58,641.83
Loss on impairment of assets (loss expressed with "-")			
Gain from disposal of assets (loss expressed with "-")			
II. Operating profit (loss expressed with "-")		22,091,974.87	26,396,967.27
Add: Non-operating income	<i>XVI. (31)</i>	450.00	
Less: Non-operating expenses	<i>XVI. (32)</i>	547.00	2,288.50
III. Total profit (total loss expressed with "-")		22,091,877.87	26,394,678.77
Less: Income tax expense	<i>XVI. (33)</i>	1,947,909.06	2,455,882.99
IV. Net profit (net loss expressed with "-")		20,143,968.81	23,938,795.78
(I) Net profit from continuing operations (net loss expressed with "-")		20,143,968.81	23,938,795.78
(II) Net profit from discontinued operations (net loss expressed with "-")			
V. Net other comprehensive income after tax		1,733,951,695.62	-947,884,824.31
(I) Other comprehensive income that may not be subsequently reclassified to profit or loss		1,733,951,695.62	-947,884,824.31
1. Change in re-measurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		-26,522.19	-150,727.84
3. Change in fair value of investments in other equity instruments			
4. Change in fair value of own credit risk		1,733,978,217.81	-947,734,096.47
(II) Other comprehensive income 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 investments			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedges reserve			
6. Exchange differences arising from translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		1,754,095,664.43	-923,946,028.53
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Consolidated Cash Flow Statement From January to June 2023

Item	Note	1st half of 2023	1st half of 2022
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		4,425,920,100.97	7,825,976,243.19
Net increase in deposits from customers and deposits from other banks			
Net increase in loans from central bank			
Net increase in placements from other financial institutions			
Cash receipts of premium for direct insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits from insurance policy holders and investment			
Cash receipts of interest, fees and commissions			
Net increase in placements from other financial institutions			
Net increase in sales and repurchase operations			
Net cash receipts of brokerage for securities trading			
Cash received from tax refund		215,554,024.81	323,800,214.02
Other cash receipts relating to operating activities	V. (69)	324,847,813.01	360,741,005.43
Sub-total of cash inflows from operating activities		4,966,321,938.79	8,510,517,462.64
Cash paid for goods and services		6,777,311,802.30	6,509,057,524.64
Net increase in loans and advances to customers			
Net increase in central bank and interbank deposits			
Cash paid for claims of direct insurance contracts			
Net increase in placements with banks and non-bank financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for dividends of insurance policies			
Cash paid to and on behalf of employees		479,544,945.28	402,197,049.84
Payments of taxes		64,613,475.19	25,898,832.24
Other cash payments relating to operating activities	V. (69)	248,349,153.84	293,895,431.61
Sub-total of cash outflows from operating activities		7,569,819,376.61	7,231,048,838.33
Net cash flows from operating activities		-2,603,497,437.82	1,279,468,624.31
II. Cash flows from investing activities			
Cash receipts from disposal of investments		25,218,000.00	3,800,000,000.00
Cash receipts from investment income		7,854,819.88	98,837,063.12
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,335,897.69	263,853.27
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	V. (69)	3,990,375,337.93	2,743,763,213.49
Sub-total of cash inflows from investing activities		4,025,784,055.50	6,642,864,129.88
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		255,864,858.16	89,389,920.99
Cash paid for investments		7,072,316.00	1,604,692,000.00
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities	V. (69)	4,543,875,505.38	6,129,177,454.10
Sub-total of cash outflows from investing activities		4,806,812,679.54	7,823,259,375.09
Net cash flows from investing activities		-781,028,624.04	-1,180,395,245.21

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Item	Note	1st half of 2023	1st half of 2022
III. Cash flows from financing activities			
Cash receipts from receiving investments Including: Cash received by subsidiaries from receiving investments made by minority interest		716,000,000.00	3,100,000,000.00
Cash receipts from borrowings obtained			
Other cash receipts relating to financing activities	V. (69)		
Sub-total of cash inflows from financing activities		716,000,000.00	3,100,000,000.00
Cash paid for repayment of debts		2,825,200,000.00	2,008,200,000.00
Cash paid for dividends, profit distribution or interest expenses Including: Dividends and profits paid by subsidiaries to non-controlling interests		59,369,921.10	75,676,295.75
Other cash payments relating to financing activities	V. (69)	45,968,323.81	537,507.37
Sub-total of cash outflows from financing activities		2,930,538,244.91	2,084,413,803.12
Net cash flows from financing activities		-2,214,538,244.91	1,015,586,196.88
IV. Effect of change in foreign exchange rate on cash and cash equivalents		54,128,606.18	41,391,325.31
V. Net increase in cash and cash equivalents		-5,544,935,700.59	1,156,050,901.29
Add: Beginning balance of cash and cash equivalents		11,069,985,285.84	5,417,061,556.97
VI. Ending balance of cash and cash equivalents		5,525,049,585.25	6,573,112,458.26

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Cash Flow Statement of the Company From January to June 2023

Item	Note	1st half of 2023	1st half of 2022
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		7,135,794.00	8,135,794.00
Cash received from tax refund			
Other cash receipts relating to operating activities	XVI. (39)	2,227,189.29	8,988,153.63
Sub-total of cash inflows from operating activities		9,362,983.29	17,123,947.63
Cash paid for goods and services		115,951.98	1,060,927.81
Cash paid to and on behalf of employees		4,274,988.99	3,777,036.89
Payments of taxes		255,452.45	257,630.42
Other cash payments relating to operating activities	XVI. (39)	4,269,725.55	11,077,622.07
Sub-total of cash outflows from operating activities		8,916,118.97	16,173,217.19
Net cash flows from operating activities		446,864.32	950,730.44
II. Cash flows from investing activities			
Cash receipts from disposal of investments			
Cash receipts from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			2,910.00
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities	XVI. (39)	584,274,661.11	517,352,313.89
Sub-total of cash inflows from investing activities		584,274,661.11	517,355,223.89
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets			386,095.98
Cash paid for investments			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities	XVI. (39)	1,042,000,000.00	286,000,000.00
Sub-total of cash outflows from investing activities		1,042,000,000.00	286,386,095.98
Net cash flows from investing activities		-457,725,338.89	230,969,127.91
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			
Cash paid for dividends, profit distribution or interest expenses			
Other cash payments relating to financing activities	XVI. (39)		90,979.00
Sub-total of cash outflows from financing activities			90,979.00
Net cash flows from financing activities			-90,979.00
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-771.14	-3.40
V. Net increase in cash and cash equivalents		-457,279,245.71	231,828,875.95
Add: Beginning balance of cash and cash equivalents		854,215,666.15	66,939,423.22
VI. Ending balance of cash and cash equivalents		396,936,420.44	298,768,299.17

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Consolidated Statement of Changes in Owners' Equity From January to June 2023

Item	1st half of 2023													
	Equity attributable to shareholders of the Company													
	Other equity instruments					Other								
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Non-controlling interests	Total equity
I. Ending balance of last year	1,413,506,376.00				9,375,981,708.49		1,450,554,845.16	1,111,646,419.34	2,236,341,205.62	15,588,000,556.81	3,162,273,307.07	18,750,703,883.88	476,665.25	1,048,740.66
Add: Changes in accounting policies														
Correction of previous errors														
Business combination under common control														
Others														
II. Beginning balance of the year	1,413,506,376.00				9,375,981,708.49		1,450,554,845.16	1,111,646,419.34	2,236,913,341.23	15,588,602,682.22	3,163,149,912.32	18,751,752,804.54		
III. Increase/decrease for the period (Decrease expressed with "-")														
(I) Total comprehensive income							1,723,644,272.38		9,104,964.61	1,359,455,528.43	5,783,537.43	1,364,239,069.86		
(II) Capital paid in and reduced by shareholders					-374,293,704.76		1,734,219,016.07		12,665,284.90	1,746,884,300.97	5,783,537.43	1,752,667,838.40		
1. Ordinary shares paid by shareholders														
2. Capital paid by holders of other equity instruments					-374,293,704.76					-374,293,704.76		-374,293,704.76		
3. Amount of share-based payments recognised in owners' equity														
4. Others					-374,293,704.76							-374,293,704.76		
(III) Profit distribution									-14,135,063.78	-14,135,063.78		-14,135,063.78		
1. Transfer to surplus reserve														
2. Transfer to provision for general risks														
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Transfer within owners' equity							-10,574,743.69		10,574,743.69					
1. Capitalization of capital reserve (or share capital)														
2. Capitalization of surplus reserve (or share capital)														
3. Loss offset by surplus reserve														
4. Transfer to retained earnings arising from change in defined benefit plans														
5. Transfer from other comprehensive income to retained earnings														
6. Others														
(V) Special reserve								12,007,665.23	12,007,665.23			12,007,665.23	10,009,763.37	22,017,452.60
1. Transfer in the period														
2. Utilisation in the period														
(VI) Others														
IV. Ending balance of the period	1,413,506,376.00				9,001,688,003.73		3,174,199,117.54	1,111,646,419.34	2,246,018,306.04	16,947,059,224.65	3,168,933,449.75	20,115,991,674.40		

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Item	Equity attributable to shareholders of the Company										Total equity				
	Other equity instruments					Less:									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Non-controlling interests	
I. Ending balance of last year	1,413,506,376.00				9,393,552,318.37		1,663,752,512.56	1,663,752,512.56		1,042,398,235.53		1,811,537,366.69	15,524,746,801.15	3,146,071,677.13	18,671,739,482.81
Add: Changes in accounting policies										268.30		503,415.96	503,415.26	417,269.27	920,684.53
Correction of previous errors															
Business combination under common control															
Others															
II. Beginning balance of the year	1,413,506,376.00				9,393,552,318.37		1,663,752,512.56	1,663,752,512.56		1,042,398,498.83		1,812,040,538.65	15,525,250,216.41	3,146,488,946.40	18,671,739,482.81
III. Increase/decrease for the period (Decrease expressed with "-")															
(I) Total comprehensive income								-954,835,616.92				-176,165,074.44	-1,130,970,083.15	3,742,630.45	-1,127,227,452.70
(II) Capital paid in and reduced by shareholders								-954,835,616.92				18,928,605.72	-935,906,811.20	3,742,105.76	-932,164,704.44
1. Ordinary shares paid by shareholders															
2. Capital paid by holders of other equity instruments															
3. Amount of share-based payments recognised in owners' equity															
4. Others															
(III) Profit distribution															
1. Transfer to surplus reserve															
2. Transfer to provision for general risks															
3. Distribution to owners (or shareholders)															
4. Others															
(IV) Transfer within owners' equity															
1. Capitalization of capital reserve (or share capital)															
2. Capitalization of surplus reserve (or share capital)															
3. Loss offset by surplus reserve															
4. Transfer to retained earnings arising from change in defined benefit plans															
5. Transfer from other comprehensive income to retained earnings															
6. Others															
(V) Special reserve															
1. Transfer in the period															
2. Utilisation in the period															
(VI) Others															
IV. Ending balance of the period	1,413,506,376.00				9,393,552,946.58		908,916,895.64	908,916,895.64		1,042,398,498.83		1,635,905,434.21	14,394,280,183.26	3,150,231,676.85	17,544,511,730.11

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Statement of Changes in Owners' Equity of the Parent Company From January to June 2023

Item	1st half of 2023							Total equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income		Special reserve	Surplus reserve	Retained earnings
I. Ending balance of last year	1,413,506,378.00				8,583,595,088.21		1,491,982,474.20		628,168,219.37	969,118,578.92	13,086,370,738.70
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,413,506,378.00				8,583,595,088.21		1,491,982,474.20		628,168,219.37	969,118,578.92	13,086,370,738.70
III. Increase/Decrease for the period											
(Decrease expressed with "-")											
(I) Total comprehensive income					-374,283,704.76		1,733,951,695.62			6,008,905.03	1,365,666,895.89
(II) Capital paid in and reduced by shareholders							1,733,951,695.62			20,143,988.81	1,754,095,684.43
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments					-374,283,704.76						-374,283,704.76
3. Amount of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution					-374,283,704.76						-374,283,704.76
1. Transfer to surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfer within owners' equity											
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Transfer in the period											
2. Utilisation in the period											
(VI) Others											
IV. Ending balance of the period	1,413,506,378.00				8,209,301,383.45		3,225,934,169.82		628,168,219.37	975,127,483.95	14,452,037,634.59

SECTION VIII FINANCIAL REPORT

(Unless otherwise stated, amounts are in RMB)

Item	1st half of 2022											
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Ending balance of last year	1,413,506,378.00				8,436,541,414.86		1,897,973,747.33	1,897,973,747.33		558,920,035.56	540,948,804.84	12,847,880,880.59
Add: Changes in accounting policies										263.30	2,363.69	2,632.99
Correction of previous errors												
Others												
II. Beginning balance of the year	1,413,506,378.00				8,436,541,414.86		1,897,973,747.33	1,897,973,747.33		558,920,298.86	540,951,174.53	12,847,883,013.58
III. Increase/Decrease for the period (Decrease expressed with "-")												
(I) Total comprehensive income							-947,884,824.31	-947,884,824.31			-171,125,084.38	-1,119,039,908.69
(II) Capital paid in and reduced by shareholders											23,938,795.78	-823,946,028.53
1. Ordinary shares paid by shareholders												
2. Capital paid by holders of other equity instruments												
3. Amount of share-based payments recognised in owners' equity												
4. Others												
(III) Profit distribution												
1. Transfer to surplus reserve												
2. Distribution to owners (or shareholders)												
3. Others												
(IV) Transfer within owners' equity												
1. Capitalization of capital reserve (or share capital)												
2. Capitalization of surplus reserve (or share capital)												
3. Loss offset by surplus reserve												
4. Transfer to retained earnings arising from change in defined benefit plans												
5. Transfer from other comprehensive income to retained earnings												
6. Others												
(V) Special reserve												
1. Transfer in the period												
2. Utilisation in the period												
(VI) Others												
IV. Ending balance of the period	1,413,506,378.00				8,436,541,414.86		950,088,923.02	950,088,923.02		558,920,298.86	369,826,090.15	11,728,883,104.89

The notes to the accompanying financial statements are an integral part of the financial statements.

Person in charge of the Company:
Chen Liping

Person in charge of accounting:
Hou Zengquan

Head of accounting department:
Xie Weihong

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

I. BASIC INFORMATION ON THE COMPANY

(I) General

CSSC Offshore & Marine Engineering (Group) Company Limited (the “Company”, together with its subsidiaries, the “Group”), formerly known as Guangzhou Shipyard International Company Limited, is a joint-stock company with limited liability independently established by Guangzhou Shipyard in 1993 as approved by National Structural Reform [1993] No. 83. On 5 July 1993, it was converted into a public joint-stock company with limited liability as approved by National Structural Reform [1993] No. 110. The Company was established on 7 June 1993, with its registered address at 15th Floor, Marine Tower, No.137 Gexin Road, Haizhu District, Guangzhou City and its headquarters located at 15th Floor, Marine Tower, No.137 Gexin Road, Haizhu District, Guangzhou City.

As approved by Circular (1993) No.31 issued by the China Securities Regulatory Commission, Zheng Jian Fa Shen (1993) No.26 issued by the China Securities Regulatory Commission and Circular SSE (1993) No.2076 issued by the Shanghai Stock Exchange, the Company publicly issued 337,279,600 A shares on 22 September 1993 which became listed on the Shanghai Stock Exchange on 28 October 1993, and publicly issued 157,398,000 H shares on 21 July 1993, which became listed and traded on The Stock Exchange of Hong Kong Limited on 6 August 1993. Its total share capital following public offering amounted to 494,677,600 shares.

Pursuant to the annual general meeting of 2010 and revised Articles of Association of the Company, the Company’s paid-up capital (share capital) transferred from capital reserves increased by RMB148,403,274, and relevant procedures of H shares and A shares were completed on 15 July 2011 and 19 July 2011, respectively. The registered capital was therefore increased to RMB643,080,854.

Based on the approval for Guangzhou Shipyard International Company Limited to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company completed on 11 February 2014 the issuance of 345,940,890, 31,134,680 and 10,378,227 H Shares with face value of RMB1 per share to CSSC (Hong Kong) Shipping Company Limited (“CSSC HK”), Baosteel Resources International Co., Ltd. (“Baosteel International”) and China Shipping (H.K.) Holdings Co., Ltd. (“China Shipping HK”), respectively. All issued shares are ordinary shares, and the registered capital has been therefore increased to RMB1,030,534,651.

According to the Replies on Approval of Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing (SCRC Approvement [2015] No. 330) issued by the China Securities Regulatory Commission, on 8 April 2015, the Company placed 272,099,300 ordinary shares of RMB1 each to China State Shipbuilding Corporation Limited (“CSSC”) for purchase of CSSC’s 85% equity interests in CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”) and paid cash to CSSC for acquisition of 15% equity interests in Huangpu Wenchong; placed 68,313,338 ordinary shares of RMB1 each to Yangzhou Kejin Shipyard Co., Ltd. for purchase of its relevant shipbuilding assets; and placed 42,559,089 ordinary shares of RMB1 each to 7 specific investors. The registered capital upon change is RMB1,413,506,378.00.

On 8 May 2015, a resolution on change of the name of the Company was considered and passed at the first extraordinary general meeting of the Company for 2015, and the name of the Company was changed to “CSSC Offshore & Marine Engineering (Group) Company Limited” from “Guangzhou Shipyard International Company Limited”.

On 29 December 2015, the Company received a new business license issued by Guangzhou Administration for Industry and Commerce (uniform social credit code: 91440101190499390U), with legal representative as Han Guangde and registered capital of RMB1,413,506,378.00.

The Company is engaged in the manufacturing of equipment for railways, ships, aerospace and other transportation facilities, and its scope of business is metal shipbuilding; marine equipment manufacturing; container manufacturing; metal structures manufacturing; metal pressure vessel manufacturing; mechanical parts processing; tempered glass manufacturing; cutting tool manufacturing; other furniture manufacturing; ship maintenance; general equipment repairs; engineering survey and design; machinery technology transfer services; interior decoration and design; water transport equipment rental services; container leasing services; machinery and equipment leasing; construction general contracting services; overseas dispatch of all kinds of labour service personnel (excluding seamen); provision of docks, barge anchorages, floats and other facilities for ships.

The Company’s controlling shareholder is CSSC which is a wholly state-owned company incorporated in the PRC, while the ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(II) SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidation of the Group's consolidated financial statements is determined on a control basis. The scope includes consolidated financial statements of the Group and its 19 subsidiaries, including: CSSC Huangpu Wenchong Shipbuilding Company Limited ("Huangpu Wenchong"), Guangzhou Wenchong Shipyard Co. Ltd. ("Wenchong Shipyard"), Guangzhou Huangchuan Ocean Engineering Co. Ltd. ("Huangchuan Ocean Engineering"), Guangzhou Wenchuan Heavy Industrial Co. Ltd. ("Wenchuan Industrial"), CSSC (Guangzhou) New Energy Co., Ltd. ("CSSC New Energy"), Guangxi Wenchuan Heavy Industrial Co., Ltd. ("Guangxi Heavy Industrial"), CSSC Industrial Internet Co., Ltd. ("CSSC Internet"), Zhanjiang Nanhai Ship Hi-Tech Services Ltd. ("Zhanjiang Nanhai"), Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd. ("Wenchong Bingshen"), Wah Shun International Marine Limited ("Wah Shun"), Wah Loong International Marine Limited ("Wah Loong"), Xingji Maritime Engineering Design Co., Ltd. ("Xingji"), HuaCheng (TianJin) Ship Leasing Co., Ltd. ("HuaCheng") and HuaXin (TianJin) Ship Leasing Co., Ltd. ("HuaXin"), Wah Sheng International Marine Limited ("Wah Sheng"), Wah Hing International Marine Limited ("Wah Hing"), Wah Cheung International Marine Limited ("Wah Cheung"), Wah Shui International Marine Limited ("Wah Shui") and Wah Yu International Marine Limited ("Wah Yu").

Please refer to "VII. Interests in Other Entities" for details of the relevant information of the subsidiaries of the Group.

Please refer to "VI. Changes in Scope of Consolidation" for details of Changes in the consolidation scope during the reporting period.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

(I) Basis for preparation

These consolidated financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises – Basic Standards" and various specific accounting standards, the application guidelines for the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant requirements by the Ministry of Finance (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 (CSRC), the applicable disclosures required by Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange, as well as the accounting policies and estimation as described in Note "III. Significant Accounting Policies and Accounting Estimates".

(II) Going-concern

The management of the Group has assessed its ability to operate on a continuing basis for the 12 months from 30 June 2023 and is of the view that its existing financial position should be sufficient to meet the production and operation of the Group. These financial statements are prepared on a going-concern basis.

(III) Accounting basis and pricing principles

The Group's accounting is based on the accrual basis. Except for certain financial instruments, this financial statement adopts historical cost as the measurement basis. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with relevant regulations.

Under historical cost measurement, assets are measured according to the amount of cash or cash equivalents paid at the time of purchase or the fair value of the consideration paid. Liabilities are measured in accordance with the amount of money or assets actually received as a result of assuming current obligations, or the contract amount for assuming current obligations, or the amount of cash or cash equivalents expected to be paid in daily activities to repay the liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group adopts accounting policies and accounting estimates based on the features of its own production and operation, which cover the recognition and measurement of provision for bad debts for receivables, measurement of inventories delivered, methods for classification and depreciation of fixed assets, amortisation of intangible assets, amortisation of long-term prepaid expenses, and recognition and measurement of revenue.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(I) Statement of compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared by the Company in conformity with the China Accounting Standards for Business Enterprises, and present truly and completely the Company's financial position as at 30 June 2023, operating results and cash flow and other related information from January to June 2023.

(II) Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

(III) Operating cycle

The Group's operating cycle is 12 months.

(IV) Reporting currency

The Company uses RMB as its reporting currency. The Company's subsidiaries may determine their reporting currencies based on the major economic environment in which they operate their business. Wah Shun, Wah Loong, Wah Sheng, Wah Cheung, Wah Hing, Wah Shui and Wah Yu use Hong Kong dollars as their reporting currency. The financial statements were presented in RMB.

(V) Accounting treatments for business combinations under and not under common control

Business combinations are divided into business combination under common control and business combination not under common control.

1. Business combination under common control

A business combination under common control is one in which the enterprises participating in the combination are under the ultimate control of the same party or the same multiple parties before and after the combination, and such control is not temporary.

The assets and liabilities obtained by the Group (as the acquirer) by business combination under common control, are measured at the carrying amounts as recorded by the enterprise being combined at the date of combination in the consolidated financial statements of the ultimate controller. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. Intermediary fees such as auditing, legal services, appraisal and consulting, and other related administrative expenses incurred by the acquirer for the business combination are charged to the current profit or loss when incurred.

2. Business combination that are not under common control and goodwill

A business combination in which the enterprises involved in the combination are not under the ultimate control of the same party or the same multiple parties before and after the combination is a business combination that are not under common control.

The cost of the combination is the fair value of cash or non-cash assets paid, liabilities incurred or assumed, and equity instruments issued by the Group to obtain control over the acquiree at the date of purchase. Intermediary costs incurred by the acquirer for the business combination, such as audit, legal services, appraisal and consulting, and other related administrative expenses, are charged to the current profit or loss when incurred.

For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination that are not under common control are measured at fair value. Goodwill is recognised in the consolidated financial statements by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree acquired, firstly, fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities have to reviewed. The excess of the fair value of net identifiable assets of the acquiree acquired over the cost of business combination will be recognised as the non-operating revenue in the consolidated financial statements after review.

The goodwill formed by business combinations is presented separately in the consolidated financial statements, and is measured at cost after deducting the accumulated impairment provision.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(VI) Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on a control basis. Control means that the Group has power over the investee, enjoys variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its returns. The Group reassesses the definition of control as described above once relevant facts and circumstances have changed resulting in a change in the relevant elements involved in the definition of control.

The consolidation of a subsidiary commences when the Group obtains control of the subsidiary and ends when the Group loses control of such subsidiary.

For subsidiaries disposed of by the Group, the results of operations and cash flows prior to the date of disposal (the date of loss of control) have been appropriately included in the consolidated income statement and the consolidated statement of cash flows.

For subsidiaries acquired through business combination under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements since the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last period, regarding as the reporting subject which was formed after combination has existed since the ultimate controller started control.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, shall be regarded as the ultimate controller started the control and adjustment was made under current status. When preparing comparative financial statements, time limit is the time not earlier than the Group and the acquiree are both under the control of ultimate controller, related assets and liabilities of the acquiree shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets increased due to combination adjusted related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the acquiree, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the acquiree are under the same control, whichever is later, to the date of combination, the related profit or loss recognised, other comprehensive income and other change in net assets, shall be written off retained earnings at the beginning of the comparative period and profit or loss for current period.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statements since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee not under common control and finally become business combination, when preparing consolidated financial statements, for shareholding of the acquiree which was holding before the date of acquisition, have to be re-measured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, are changed to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

If the accounting policy or the accounting period adopted by any subsidiary differs from that adopted by the Group in preparation of the consolidated financial statements, necessary adjustments should be made to the subsidiary's financial statements according to the Group's accounting policy or accounting period.

All material internal transactions, balance of current accounts and unrealized profits in the consolidation scope should be offset in preparation of the consolidated statements.

The part not attributable to the parent company in the owners' equity of the subsidiary, current gains/losses, other comprehensive income and the part attributable to minority interests in the total consolidated revenue should be respectively listed under "non-controlling interests, gain or loss attributable to non-controlling interests, other comprehensive income attributable to non-controlling interests and total comprehensive income attributable to non-controlling interests" in the consolidated financial statements.

The balance of the minority's share of losses of a subsidiary in excess of the minority's share of the subsidiary's ownership interest at the beginning of the year is still eliminated to reduce the minority's equity.

For the purchase of minority interest in a subsidiary, the transaction is accounted for as an equity transaction, and the book value attributable to the Company's ownership interest and minority interest is adjusted to reflect the change in its related interest in the subsidiary. The difference between the adjustment to minority interests and the fair value of the consideration paid is adjusted to capital surplus, and in case the capital reserve is insufficient for offset, retained earnings will be adjusted.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

When the Group loses control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be re-measured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets of the subsidiary calculated from the date of acquisition or combination according to the original shareholding proportion, is included into the investment profit or loss of loss of control for current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary will be changed to investment profit or loss for current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loses control through disposal of shareholding in subsidiaries belongs to a series of transactions, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary shall be recognised as other comprehensive income, and transfer to investment profit or loss of loss of control for current period upon loss of control.

(VII) Classification of joint arrangement and accounting method for joint operation

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, recognises assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assume in proportion, and related income and fees will be recognised according to the related agreed individual or in proportion assets and liabilities. Asset transactions that are purchased or sold under joint operation that do not constitute business are recognised only for that part of profit or loss incurred from that transaction attributable to the other parties under the joint operation.

The Group's investments in joint ventures and associates are accounted for by the equity method, please refer to long-term equity investments accounted for under the equity method.

(VIII) Recognition standard of cash and cash equivalents

Cash in the cash flow statement of the Group represents the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

(IX) Foreign currency transactions and translation of foreign currency financial statements

1. Foreign currency transaction

When the Group translates the total revenue from foreign currency contracts, the amount to be converted into RMB includes the amounts received and uncollected, of which: the foreign currency received shall be translated at the amount of the reporting currency determined at the time of collection; the foreign currency uncollected shall be translated at the spot exchange rate (mid-rate) on the date of revenue recognition translated. When the Group tests the impairment of foreign currency sales contracts, the portion of the uncollected foreign currency revenue for which the exchange rate has been locked in using hedging instruments is translated at the locked-in exchange rate, and the portion for which the exchange rate has not been locked in is translated at the bank forward quotation rate. For transactions other than those mentioned above, the Group's foreign currency transactions are translated into RMB amounts at the spot exchange rate on the date of the transaction.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rate at the balance sheet date. The resulting translation differences are recognized directly in profit or loss for the current period, except for exchange differences arising from special borrowings in foreign currencies for the purpose of acquiring or producing assets eligible for capitalisation, which are treated in accordance with the principle of capitalisation. Non-monetary items measured in terms of historical cost in foreign currencies continue to be measured at the amount in the functional currency of account translated at the spot rate on the date of the transaction. Non-monetary items measured at fair value in foreign currencies are translated using the spot exchange rate at the date when the fair value was determined. The difference between the translated amount in the carrying amount in the functional currency and the original amount in the functional currency is treated as a change in fair value (including exchange rate changes) and recognized in profit or loss or other comprehensive income for the current period.

2. Translation of foreign currency financial statements

For the Group's foreign operations, the Group prepares its financial statements by translating the functional currency of accounts into RMB: assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; all items in the owner's equity category, except for "undistributed earnings", are translated at the spot exchange rate at the time of the transaction; income and expense items in the income statement are translated at the average of the spot exchange rates at the beginning and end of the year. The income and expense items in the income statement are translated at the average of the spot exchange rates at the beginning of the year and end of the period. The translation differences arising from the above translation are recognized as other comprehensive income. Upon disposal of a foreign operation, the translation differences related to the foreign currency financial statements are transferred to profit or loss in the year of disposal, or partially disposed of in proportion to the disposal.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

Cash flows in foreign currencies and cash flow items from foreign operations are translated at the average of the spot exchange rates at the beginning of the year and end of the period. The amount of the effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(X) Financial instruments

When the Group becomes a party in the financial instrument contract, a financial asset, financial liability or equity instrument will be recognised.

1. Financial assets

(1) Classification of financial assets, basis of recognition and method of measurement

Based on the business model under which the Group manages assets and the characteristics of contractual cash flows of financial assets, the Group divides financial assets into financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Group classifies financial assets meeting both of the following conditions into financial assets at amortised cost: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and the relevant transaction expenses are included in the initially recognised amount; they are subsequently measured at amortised cost. Except for those designated as hedging items, the difference between the initial amount and the due amount shall be amortised according to the effective interest rate method, and the amortisation, impairment, exchange gains and losses as well as gains or losses arising from derecognition shall be included in profit or loss.

The Group classifies financial assets meeting both of the following conditions into financial assets at fair value through other comprehensive income: (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets (debt instruments) measured at fair value through other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. Except for those designated as hedging items, other gains or losses arising from such financial assets are included in other comprehensive income, other than credit impairment losses or gains, exchange gains or losses and interest of such financial assets calculated using the effective interest rate method. Upon derecognition of financial assets, accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to profit or loss for the period.

The Group recognises interest income using the effective interest rate method. Interest income is determined by multiplying the book balance of financial assets by the actual interest rate, except: (i) For the purchased or internally generated credit-impaired financial assets, the Group recognises interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition. (ii) For the purchased or internally generated financial assets without credit impairment but subsequently becoming credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets.

The Group designates equity instruments not held-for-trading as financial assets at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. Equity instruments not held-for-trading of the Group designated as at fair value through other comprehensive income are initially measured at fair value, and the relevant transaction costs are included in the initially recognised amount. Except for dividends received (other than the recovered part of investment cost) which are included in profit or loss, other related gains or losses (including exchange gains or losses) are included in other comprehensive income and shall not be subsequently transferred to profit or loss. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred to retained earnings from other comprehensive income.

Financial assets other than the above financial assets classified as at amortised cost and financial assets classified as at fair value through other comprehensive income are classified by the Group as financial assets at fair value through profit or loss. Such financial assets are initially measured at fair value, and the relevant transaction costs are directly included in profit or loss. Gains or losses on such financial assets are included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(2) *Basis for recognition and measurement method of transfer of financial assets*

The Group derecognises financial assets if any of the following conditions is met: ① the right to receive cash flows from the financial asset expires; ② the financial asset has been transferred and the Group has transferred substantially all risks and rewards relating to the financial asset to the transferee; ③ the financial asset has been transferred to the transferee, and the Group has not transferred or retained substantially all risks and rewards relating to the financial asset, nor does it maintain the control over the financial asset.

In case the overall transfer of the financial asset meets the criteria for de-recognition, the difference between the carrying amount of financial asset being transferred and the sum of the consideration received as a result of the transfer and the part of derecognised part in the accumulated changes in fair value which were previously directly included in other comprehensive income (the contractual terms of the financial asset involved in transfer provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal) is charged to profit or loss.

In case where the transfer of only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the sum of the amount of consideration received for the transfer and the amount corresponding to the derecognised part of the accumulated changes in fair value which were previously included in other comprehensive income (the contractual terms of the financial asset provide that the cash flows generated on a particular date represent solely the payment of principal and interest on outstanding principal) and the aforesaid allocated overall carrying amount of the financial asset is charged to profit or loss.

2. **Financial liabilities**

(1) *Classification of financial liabilities, basis for recognition and measurement method*

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities on initial recognition.

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated at fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The Group classifies financial liabilities into financial liabilities at amortised cost, save for the following: ① Financial liabilities at fair value through profit or loss, including financial liabilities held-for-trading (including derivatives within the scope of financial liabilities) and financial liabilities designated at fair value through profit or loss. ② Financial liabilities arising from the transfer of financial assets which do not meet the conditions for derecognition or the continued involvement in the transferred financial assets. ③ Financial guarantee contracts not falling under ① or ② above, and loan commitments at a rate lower than market rate not falling under ① above.

(2) *Conditions for derecognition of financial liabilities*

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Group and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made by the Group to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognised. And financial liabilities after term revision will be recognised as a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss for the period.

(3) *Method for determination of fair values of financial assets and financial liabilities*

Fair values of financial assets and financial liabilities of the Group are measured by fair values of principal market to calculate fair values of financial assets and financial liabilities of the Group. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs used for fair value measurement are divided into three levels. Level 1 input is the unadjusted offer of the same asset or liability that is available on the measurement day in the active market; level 2 input is the input value that can be observed directly or indirectly of the relevant asset or liability other than those in level 1; level 3 input is the unobservable input of the relevant asset or liability. The Group uses level 1 inputs first and level 3 inputs last. In measuring fair value using valuation techniques, the Group uses level 1 inputs for the shares of listed companies held, level 2 inputs for forward exchange contracts, and level 3 inputs for investments in other equity instruments in non-listed companies. The level of the fair value measurement is determined by the lowest level of the input value which is of great significance to the whole of the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(4) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities of the Group are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied: (1) the Group currently has a legally enforceable right to offset the recognised amounts; and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Distinction between financial liabilities and equity instruments and related treatment methods

The Group distinguishes between financial liabilities and equity instruments according to the following principles: (1) If the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions. (2) If a financial instrument must or may be settled with the Group's own equity instrument, it shall be taken into account whether the Group's own equity instrument used for settling the instrument is the substitute of cash or other financial assets, or is used to entitle the instrument holder with the remaining equity in the assets of the issuer after netting of all the liabilities. In the former case, this instrument is the financial liability of the issuer, while in the latter case, it is the equity instrument of the issuer. In some cases, a financial instrument contract requires the Group to settle the financial instrument with its own equity instrument, where the amount of contractual or contractual obligations equals the number of equity instruments available or to be delivered multiplied by its settlement. The fair value of the contract is classified as a financial liability, regardless of whether the amount of the contractual rights or obligations is fixed or is based, in whole or in part, on changes in variables (for example, interest rate, prices of certain goods or certain financial instrument) other than the market price of the Group's own equity instruments.

When the Group classifies financial instruments (or their components) in a consolidated statement, it considers all the terms and conditions between the Group's members and the holders of financial instruments. If the Group as whole entity assumes the obligation to deliver cash, other financial assets or other obligations causing the instrument to be settled as a financial liability, the instrument shall be classified as a financial liability.

Where a financial instrument or a component thereof is a financial liability, the Group includes the relevant interest, dividends, gains or losses and the gains or losses arising from redemption or refinancing in profit or loss.

Where a financial instrument or a component thereof is an equity instrument, the Group's issuance (including refinancing), repurchase, sale or cancellation is treated as a change in equity and does not recognise changes in the fair value of the equity instrument.

(XI) Accounts receivable

For the Group's receivables which arise from transactions regulated by the "Accounting Standards for Business Enterprises No. 14 – Revenue Standards" and which do not contain significant financing components, their loss allowance is always measured at the amount of the expected credit losses for the lifetime.

Measurement of expected credit losses. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages.

The Group calculates the expected credit loss of notes and accounts receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current provision for impairment of other receivables, the Group recognises the difference as impairment losses of notes and accounts receivable, and it will transfer "credit impairment loss" and credit "provision for bad debts". Otherwise, the Group recognises the difference as an impairment gain and makes the opposite accounting record.

If the Group incurs credit impairment and determines that the relevant notes and accounts receivable are unrecoverable, subject to the approval for writing off, it will debit "provision for bad debts" and credit "notes receivable" or "accounts receivable" based on the approved amount for write-off. If the written-off amount is greater than the loss allowance made, the "credit impairment loss" is debited for the difference.

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1. Method of determination of expected credit loss of notes receivable and accounting treatment methods

For notes receivable obtained by the Group, if the maturity date of the notes is within one year and the Group determines that there is no difference between the cash flows of the notes receivable and the cash flows expected to be received for the notes receivable, no provision for impairment is recognised for the notes receivable. If the maturity date of the notes exceeds one year, the Group recognises expected credit loss of notes receivable and make provision for bad debts based on the difference between the carrying amount of the notes receivable and the present value of the cash flows expected to be received for the notes receivable.

2. Method of determination of expected credit loss of accounts receivable and accounting treatment methods

According to the common risk characteristics of the borrower type and date of initial recognition, the Group classifies accounts receivable, considers whether credit risk has significantly increased on a collective basis and determines expected credit loss.

- (1) For the receivables from related party, government and utility receivables of the Group without indication of impairment, the Group determines that no expected credit loss exists and no provision for bad debts is made.
- (2) The Group performs separate impairment tests for those receivables for which there is an indication of impairment, as well as for other receivables for which individual tests are applicable, and determine expected credit loss and make provision for bad debts based on the difference between the carrying amount of the accounts receivable and the present value of the cash flows expected to be received.
- (3) For the accounts receivable which have not been tested individually, based on the actual credit loss for previous years and considering forwarding information for the year, the Group determines the default loss ratio (see the table below), and determines the expected credit loss of accounts receivable and makes provision for bad debts based on the default loss ratio.

Ageing	Estimated default loss rate on accounts receivable (%)
0 – 6 months (6 months inclusive)	0
6 months – 1 year (1 year inclusive)	0.5
1 year – 2 years (2 years inclusive)	10
2 years – 3 years (3 years inclusive)	30
3 years – 5 years (5 years inclusive)	80
Over 5 years	100

(XII) Other receivables

Method of determination of expected credit loss of other receivables and accounting treatment methods:

The Group measures loss allowance for other receivables according to the following circumstances: (i) the Group measures loss allowance for the financial assets the credit risk of which has not significantly increased since initial recognition based on the amount of expected credit loss for the next 12 months; (ii) the Group measures loss allowance for the financial assets the credit risk of which has significantly increased since initial recognition based on the amount of expected credit loss during the lifetime of the financial instrument; (iii) the Group measures loss allowance for the financial assets which have been credit-impairment since purchase or origination based on the amount of expected credit loss during the lifetime of the financial assets.

Assessment on a collective basis. For other receivables, the Group cannot obtain sufficient evidence of significant increase in credit risk at a reasonable cost at the level of individual instruments, and it is feasible to evaluate whether credit risk increases significantly on a collective basis. Therefore, the Group classifies other receivables according to the type of borrowers and date of initial recognition as a common risk characteristic and considers whether credit risk increases significantly on a collective basis.

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- (1) For other receivables from related parties, outstanding deposits and security deposits, retained reserve and employee loans, other receivables from government and institutions without indication of impairment, the Group determines that no expected credit loss exists and no provision for bad debts is made.
- (2) The Group performs separate impairment tests for other receivables for which there is an indication of impairment, as well as for other receivables for which individual tests are applicable, and determine expected credit loss and make provision for bad debts based on the difference between the carrying amount of other receivables and the present value of the cash flows expected to be received for other receivables.
- (3) For other receivables which have not been tested individually for impairment, based on the actual credit loss for previous years and considering forwarding information for the year, the Group determines the default loss ratio (see the table below), and determines the expected credit loss of other receivables and make provision for bad debts based on the default loss ratio.

Ageing	Estimated default loss rate on other receivables (%)
0 – 6 months (6 months inclusive)	0
6 months – 1 year (1 year inclusive)	0.5
1 year – 2 years (2 years inclusive)	10
2 years – 3 years (3 years inclusive)	30
3 years – 5 years (5 years inclusive)	80
Over 5 years	100

(XIII) Inventories

1. Classification and costs of inventories

The inventories of the Group mainly include raw materials, work in progress, turnover material, finished goods, goods in transit and costs to fulfil a contract, etc..

Inventories are initially measured at cost, which includes the cost of purchase, processing costs and other expenses incurred in bringing the inventories to their present location and condition.

2. Valuation method of inventory delivered

When inventories are delivered, the actual cost is determined using the weighted-average method or the first-in, first-out method. For inventories that cannot be substituted for use or purchased or manufactured specifically for a particular project, the Company uses the individual valuation method to determine the cost of inventories delivered. Turnover materials include low-value consumables and packaging materials. Low-value consumables and packaging materials are amortized using the one-time reversal method.

3. Basis for determining the net realizable value of different types of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. In determining the net realizable value of inventories, the determination is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of post-balance sheet events.

The net realisable value of finished goods, work in process and materials for sale is determined by estimated price deducting estimated selling costs and related taxes. The net realisable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes. The estimated selling price should be the most reliable estimate of the selling price obtained at the balance sheet date. A provision for impairment in value of inventories is made when its net realizable value is lower than its cost.

For inventories with large quantities and low unit prices, provision for inventory value decline is made by inventory category; for inventories that are related to product lines manufactured and sold in the same region, and have the same or similar end use or purpose, and are difficult to measure separately from other items, provision for inventory value decline is made on a consolidated basis; for other inventories, provision for inventory value decline is made for the difference between the cost of individual inventory items and their net realizable value.

After the provision for impairment of inventory value is made, if the factors affecting the previous write-down of inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its carrying value, the provision for impairment of inventory value is reversed within the amount originally provided for, and the reversed amount is recognized in profit or loss for the current period.

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4. *Inventory system*

The Group maintains a perpetual inventory system.

(XIV) Long-term equity investments

Long-term equity investments of the Group are the investments in subsidiaries and investment in associates and investment in joint ventures.

1. *Judgement criteria for common control that have significant influence*

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

When the Group directly or indirectly through its subsidiary owns 20% (inclusive) or more but less than 50% shares with voting rights in the investee, it is generally considered that the Group has significant influence on the investee. For voting rights less than 20% in the investee, the board or representative in similar authority in the investee or the implementation processes of financial or operation policies of investee have also been taken into account, or significant transaction with the investee, or management personnel sent to the investee, or significant technology information provided to the investee which have significant influence to the investee.

2. *Determination of initial investment cost*

(1) *Long-term equity investments acquired through business combinations under common control*

For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree which is negative on the date of combination, investment cost of long-term equity investment is calculated as zero.

For equity interests in investees under common control acquired in a series of transaction which constitute business combination, in case of a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not fall under a series of transactions, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements of the ultimate controller, and accounted as the initial investment cost of long-term equity investment on the date of combination.

(2) *Long-term equity investments acquired through business combinations not under common control*

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

For equity interests in investees not under common control acquired in a series of transaction which constitute business combination, in case of a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not belong to a series of transaction, initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method.

(3) *Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the contract or agreement.*

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3. Subsequent measurement and recognition method of profit or loss

(1) Long-term equity investments accounted for under the cost method

The Group's investments in subsidiaries are accounted for using the cost method and are measured at the initial investment cost. The cost of long-term equity investments is adjusted when the investment is increased or recovered. Cash dividends or profits declared by the investee are recognized as investment income for the period in accordance with the amount to which they are attributable.

(2) Long-term equity investments accounted for under the equity method

The Group accounts for its investments in joint ventures and associates using the equity method.

When the equity method of accounting is adopted, if the initial investment cost of a long-term equity investment is higher than the share of the fair value of the identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investment is not adjusted; if the initial investment cost is less than the share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted.

Under the equity method of accounting, investment income and other comprehensive income are recognized in accordance with the investee's share of net profit or loss and other comprehensive income, respectively, and the carrying value of long-term equity investments is adjusted; the carrying value of long-term equity investments is reduced accordingly to the extent of the investee's share of profits or cash dividends declared by the investee. For changes in the ownership interest of the investee other than net profit or loss, other comprehensive income and profit distribution, the carrying value of the long-term equity investment is adjusted and recognized as capital surplus. The share of net profit or loss of the investee is recognized on the basis of the fair value of the investee's identifiable assets at the time of acquisition, in accordance with the Group's accounting policies and accounting periods, and after offsetting the portion of the gain or loss from internal transactions with associates and joint ventures that is attributable to the investee in proportion to the shareholding, and after adjusting the net profit of the investee.

In recognizing the share of net loss incurred by an investee, the carrying value of long-term equity investments and other long-term interests that substantially constituting a net investment in the investee are written down to zero. In addition, if the Group has an obligation to assume additional losses of the investee, an estimated liability is recognized for the expected obligation assumed, which is included in the current investment loss. If the investee achieves net profit in subsequent periods, the Group resumes recognition of revenue sharing after the revenue sharing amount makes up for the unrecognized loss sharing amount.

(3) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period.

For long-term equity investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Group loses control in the investee due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal of will be accounted for recognition and measurement standard for financial instruments, difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for current period. Other comprehensive income recognised in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the investee directly disposing related assets or liabilities.

For loss of control in the investee due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the investee after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment.

The transactions from the step-by-step disposal of equity to the loss of controlling equity do not fall under a series of transactions, therefore, the Group shall separately carry out accounting treatment for each transaction. If the transaction fall under a series of transactions, each transaction is accounted for as a disposal of subsidiary with control lost. However, the difference between the consideration for each transaction before losing control and the carrying value of the long-term equity investments corresponding to the equity disposed of is recognised as other comprehensive income and transferred to profit or loss upon loss of control.

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(XV) Long-term receivables

For the long-term receivables from sale of goods with financing nature by using deferred methods, the discount value of contract or agreement prices receivable (contract or agreement prices receivable less unrealized financing income) are taken as its initial recognised amount. At the end of the period, the Group separately carries out impairment test for long-term receivables, and credit impairment loss is recognised and provision for bad debts is made based on the difference between the present value and the book value (which is lower) of future cash flows.

(XVI) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation, or both, and include buildings that have been leased out.

Investment properties are initially measured at cost. Subsequent expenditures related to investment properties are included in the cost of investment properties if it is probable that the economic benefits associated with the asset will flow and the cost can be measured reliably. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

The Group uses the cost model for the subsequent measurement of investment properties. The investment properties of the Group are depreciated or amortised using the straight-line method. The estimated useful life, net residual value ratio and annual depreciation (amortisation) rate are as follows.

Type	Useful life (year)	Residual value ratio (%)	Annual depreciation rate (%)
Buildings and structures	30-70	3-10	4.09-6.67

The proceeds from disposal of investment properties sold, transferred, scrapped or destroyed, net of their carrying values and related taxes, is recognized in profit or loss for the current period.

The Group converts fixed assets to investment properties at the carrying amount before conversion when there is evidence of conversion of buildings and structures for own use to rental.

The Group converts buildings and structures that would otherwise be used to earn rentals or for capital appreciation to own-use when there is evidence of conversion, and investment properties are converted to fixed assets at their carrying value before conversion.

(XVII) Fixed assets

1. Recognition and initial measurement of fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or provision of services, leasing to others, or for administrative purposes; have useful life over one accounting year. Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets are initially measured at cost.

Subsequent expenditures related to fixed assets are included in the cost of the fixed assets and the carrying amount of the replaced part is derecognized if it is probable that the economic benefits associated with the fixed assets will flow and their cost can be measured reliably. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

Fixed assets of the Group comprise buildings and structures, machinery equipment, transportation equipment and other equipment.

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2. Method of depreciation

Apart from fixed assets which are provided in full and continue to be in use, the Group made provision for all the fixed assets by using straight-line method from the month after reaching the intended useable state. The useful life, estimated residual value ratio and depreciation rate of fixed assets of the Group are classified as below:

Type	Useful life (year)	Residual value ratio (%)	Annual depreciation rate (%)
Buildings and structures	8-50	3-10	1.80-12.13
Machinery and equipment	6-20	3-10	4.50-16.17
Transportation equipment	10-15	3-10	6.00-9.70
Other equipment	3-50	3-10	1.80-32.33

3. Other information

Fixed assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed assets net of its carrying amount and related taxes and expenses are recognised in profit or loss for current period.

The Group makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.

For impairment testing of fixed assets, please refer to Impairment of assets other than inventories and financial assets.

(XVII) Construction in progress

The cost of construction in progress is determined on the basis of actual construction expenditures, including all construction expenditures incurred during the construction period, borrowing costs capitalized before the construction reaches its intended useable state, and other related costs.

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. The cost of the fixed assets is adjusted when the construction finalization procedures are completed.

For the impairment test of construction in progress, please refer to Impairment of fixed assets other than inventories and financial assets.

(XIX) Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. Borrowing cost from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can reach usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalization starts; When construction or assets that fulfil the capitalization conditions, and reached the expected usable or sale condition, capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

The remaining borrowing costs are recognized as expenses in the period in which they are incurred.

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(XX) Intangible assets

1. Valuation method, useful life and impairment test of intangible assets

The intangible assets of the Group include the land use right, software and others.

Intangible assets are recognized and initially measured at cost only when it is probable that the economic benefits associated with them will flow into the Group and their cost can be measured reliably. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value. However, intangible assets acquired in a business combination that are not under common control whose fair value can be reliably measured are separately recognized as intangible assets and measured at fair value.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives from the time they are available for use, less the estimated net residual value and the cumulative amount of the provision for impairment. Intangible assets with indefinite useful lives are not amortized.

The Group amortises land use right on the basis of its useful life. The non-patent technology is amortised on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. Software is amortized over its estimated useful life or contractual useful life.

The Group makes the assessment on the estimated useful life and amortisation method of intangible assets with limited useful life at each financial year-end and makes adjustment. If any changes occur, they will be regarded as changes on accounting estimates.

For impairment testing of intangible assets, please refer to Impairment of assets other than inventories and financial assets.

2. Research and development expenses

Research and development expenses of the Group is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss for the period as incurred.

Expenditure on the development phase will be recognised as intangible assets while satisfying the following conditions and expenditures in the development phase that do not meet the following conditions are charged to the current profit or loss:

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) There is intention to complete the intangible asset for use or sale;
- (3) There is evidence that the products produced using the intangible asset having a market or the intangible asset itself has a market, and there is evidence to proof the usefulness of intangible assets for internal use;
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

If it is not possible to distinguish between research and development expenditures, all research and development expenditures incurred are included in the profit or loss for the current period. Development expenditure previously expensed in prior periods is not recognised as an asset in subsequent period. Capitalised expenditure on the development phase are stated in the balance sheet as "Development expenses" and transferred to as "Intangible assets" when they become ready for their intended use.

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(XXI) Impairment of long-term assets

The Group determines impairment of assets other than inventories, contract assets and assets related to contract costs, deferred income taxes, financial assets and assets held for sale as follows:

The Group determines at the balance sheet date whether there is an indication that an asset may be impaired. When there is an indication of impairment, the Group estimates the recoverable amount and performs an impairment test. Goodwill and intangible assets with indefinite useful lives are tested for impairment at the end of each period, regardless of whether there is an indication of impairment. Intangible assets that have not yet reached their useful lives are also tested for impairment annually.

The estimated recoverable amount of an asset is based on an individual asset. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined using the asset group to which the asset belongs. An asset group is the smallest combination of assets that can generate cash inflows independently. The recoverable amount is the higher of the net of the fair value of an asset or group of assets, less costs of disposal, and the present value of its estimated future cash flows. If the carrying amount of an asset exceeds its recoverable amount, a provision for impairment is made for the difference and an impairment loss is included.

Goodwill is tested for impairment in conjunction with the asset group or combination of asset groups to which it relates. That is, the carrying amount of goodwill is apportioned from the date of purchase to the asset group or combination of asset groups that can benefit from the synergies of the business combination in a reasonable manner, and if the recoverable amount of the asset group or combination of asset groups that contains the apportioned goodwill is less than its carrying amount, a corresponding impairment loss is recognized. The amount of the impairment loss is first set off against the carrying amount of the goodwill apportioned to that asset group or group of asset groups, and then against the carrying amount of each asset other than goodwill in the asset group or group of asset groups on a pro-rata basis.

The above assets impairment loss once recognised cannot be transferred in the subsequent accounting period.

(XXII) Long-term prepaid expenses

Long-term prepaid expenses represent each expense that has been expensed by the Group and has an amortization period of more than one year. Long-term prepaid expenses are amortized evenly over the benefit period of the expense item. For Long-term prepaid expenses items that do not benefit subsequent accounting periods, the amortization value of the item is fully charged to the profit or loss for the current period when it is determined.

Long-term prepaid expenses are accounted for at the actual cost when incurred.

(XXIII) Employee benefits

Employee benefits are all forms of remuneration or compensation given by the Group for services rendered by employees or for the termination of employment relationships, include short-term compensation, post-employment benefits, termination benefits and other long-term benefits.

1. *Accounting treatment method for short-term benefits*

Short-term compensation mainly includes wages, bonuses, medical insurance, injury insurance, maternity insurance, supplemental medical insurance, housing fund, union funds and workers education, outsourcing labour compensation and others. Short-term compensation actually incurred shall be recognised as liabilities during the accounting period which the labour provided services, and included into the profit or loss or related assets cost of the current period of beneficiary. Of these, non-monetary benefits are measured at fair value.

2. *Accounting treatment method for post-employment benefits*

Post-employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Group in order to obtain services from employees, except for the short-term compensation and termination benefits, and are classified into defined contribution plans and defined benefit plans in view of the risks and obligations borne by the Company. Save as defined benefit plans for Huangpu Wenchong and Wenchong Shipyard, being subsidiaries of the Company, the Group's post-employment benefits, which are mainly basic pension and unemployment insurance contributions for employees and enterprise annuity, are all defined contribution plans.

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(1) *Defined contribution plan*

The Group's defined contribution plan represents the basic endowment insurance, unemployment insurance and enterprise annuity paid for its employee in accordance with the relevant provisions of the local government. During the accounting period when the staff provides service, the Group will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognised as liabilities, and the liabilities would be charged into current profit and loss or costs of assets of beneficiary.

(2) *Defined benefit plan*

There are defined benefit plans for Huangpu Wenchong and Wenchong Shipyard respectively, being subsidiaries of the Company. The present value of this defined benefit plan obligation is calculated annually by an independent actuary using the expected cumulative benefit unit method based on an interest rate on high quality corporate debt of similar maturity and currency to the obligation. The net liability for the present value of the defined benefit plan obligation, less the fair value of plan assets, is shown in the balance sheet under Long-term employee benefits payable. Service costs associated with the plan (including current service costs, past service costs and settlement gains or losses) and net interest based on the net defined benefit plan liability and an appropriate discount rate are included in the profit or loss or the cost of related assets for the current period, and changes resulting from the remeasurement of the net defined benefit plan liability are included in other comprehensive income.

3. **Accounting treatment method for termination benefits**

Termination benefits are the compensation to employees when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. The compensation liability for the termination of employment relationship with employee are charged to the profit or loss for the year at the earlier of the following dates: (i) when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer. (ii) when the Group recognises and pays the related costs for a restructuring of termination benefits.

(XXIV) **Estimated liabilities**

In addition to contingent consideration and contingent liabilities assumed in business combinations that are not under common control, present obligations arising from warranty on quality of goods, loss-making contracts and litigation, or other contingent matters meet the following requirements, the Group will recognise them as liabilities:

- (1) the assumed responsibilities are actual and real;
- (2) the fulfilment of obligations will probably to cause the outflow of economic benefit from the Group;
- (3) the amount of liabilities can be measured reliably.

The initial measurement of estimated liabilities is based on the best estimate of the outflow of present obligation by considering relevant risks, uncertainties and time value of money, etc. The Group assesses the book value of estimated liabilities on each balance sheet date. If there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

If all or part of the expenditure required to settle the estimated liability is expected to be reimbursed by a third party, the amount of reimbursement is recognized separately as an asset when it is substantially certain that it will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the estimated liability.

Contingent liabilities of the acquiree acquired in a business combination that are not under common control are measured at fair value at initial recognition and subsequently measured at the higher of the amount of the expected liability recognized, and the amount initially recognized, less accumulated amortization determined in accordance with the revenue recognition principle.

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(XXV) Production safety fee

According to the regulation for Notice of the Ministry of Finance and the State Administration of Work Safety on Issuing the Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds (Cai Qi [2012] No.16), the Group's shipbuilding companies and supporting manufacturing enterprises made provision for production safety fees, which are specifically used to improve and enhance the enterprise or project safety production conditions.

The production safety fees set aside by the Group are included in the cost of the relevant products and the Special reserve item. When writing off production safety fees within specified range, depending on turning into fixed assets for separate treatment, it should directly write off specific reserves when accounted for as expenses; If capitalizing production safety fees into fixed assets, it should be pooled in work in progress and transfer to fixed assets when the projects reach intended use state, the cost of which should write off Special reserves, and recognise accumulated depreciation at the same amount. Such fixed asset would not be depreciated in subsequent periods.

(XXVI) Revenue

1. Principles for recognition of revenue

The Group recognizes revenue when it has fulfilled its performance obligations under the contract, i.e., when the customer obtains control of the relevant goods. The obtaining of control of the relevant goods is defined as the ability to dominate the use of the goods and derive substantially all of the economic benefits therefrom.

The performance obligations are discharged over time if any of the following condition has been met, otherwise are discharged at a particular point in time.

- (1) customers obtain and consume the economic benefits from the performance by the Group of its obligations at the time of performance;
- (2) customers are able to control the goods under development in the process of performance by the Group of its obligations;
- (3) the goods generated in the course of performance by the Group of its obligations has irreplaceable use and the Group has the right to receive payment for the part of obligations which have been performed during the whole contractual term.

For the performance obligations to be fulfilled over time, the Group recognises revenue based on the performance progress during such period. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated is recognised as revenue, until the performance progress can be reasonably determined.

For the performance obligations to be fulfilled at a point in time, the Group recognises revenue at contractual price when the customer has obtained the control over the relevant goods.

In determining whether customers have obtained control over goods, the Group considers the following:

- (1) whether the Group has the existing right to receive payment for the goods;
- (2) whether the Group has transferred the legal ownership of the goods to customers;
- (3) whether the Group has physically delivered the goods to customers;
- (4) whether the Group has transferred the major risks and rewards relating to the ownership of goods to customers;
- (5) whether the customers have accepted the goods;
- (6) other indications that the customers have obtained control over the goods.

2. Methods of revenue recognition

The Group's operating income is mainly derived from the revenue from shipbuilding and offshore engineering products, ship maintenance and modification, the sales of steel structures and the electromechanical products. The policies and methods for revenue recognition are as follows:

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(1) *Revenue from shipbuilding and offshore engineering products*

The Group operates shipbuilding and offshore engineering product business. It assesses contracts at their effective dates and determines whether the relevant contract performance obligations meet the condition to “performance over time”.

For contracts meeting the condition to “performance over time”, the Group recognises revenue and carrying costs based on the contract performance progress during such period. The Group adopts the input method to determine the appropriate progress of performance, which is determined by the total actual contract cost incurred in proportion to the total estimated contract cost. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated for is recognised as revenue, until the performance progress can be reasonably determined. If the incurred cost is expected to be unrecoverable, it is recognised as expense upon occurrence, without recognising revenue.

If the condition to “performance over time” is not met, the Group recognises one-off revenue based on the transaction price specified in the contract or ship delivery documents when the ships and offshore engineering products are completed and delivered and carries forward one-off full cost of the contract.

(2) *Revenue from ship maintenance and modification*

The Group provides general ship maintenance business. With the short repair cycle, the Group recognises revenue when the ship maintenance and the relevant settlement procedures are completed.

(3) *Revenue from the sales of steel structures*

For the manufacturing and installation contracts for large steel structures provided by the Group, if they meet the condition to “performance over time”, the Group recognises their revenue based on performance progress during such period. The due performance progress is determined using the input method, based on the percentage of total accumulated incurred contract target cost to total expected contract cost. For the steel structure manufacturing and delivery contracts not meeting the condition to “performance over time”, the Group recognises revenue according to workload confirmation after the steel structures are completed and delivered to customers, pass inspections and are accepted by customers.

(4) *Revenue from the sales of electromechanical products*

Revenue from electromechanical products provided by the Group is recognised upon completion and delivery.

(XXVII) Contract assets and contract liabilities

In the contract between the Company and the customer, the Company has the right to receive the contract price for the transfer of the goods and related services to the customer, and at the same time bear the performance obligation to transfer the goods or services to the customer. Before the customer actually pays the contract price or the goods or services or the consideration is due, when the Company has already transferred such goods or service to the customer, it shall present the rights to receive consideration for the transfer of goods or services as contract assets and shall recognize as accounts receivable when obtaining unconditional collection rights. Otherwise, the obligation to transfer goods or services to a customer for which the Company has received a consideration (or an amount of consideration that is due) from the customer is presented as contract liabilities. When the Company fulfills its obligation to transfer goods or provide services to customers, the contract liabilities are recognized as revenue.

The Group presents contract assets and contract liabilities under the same contract on a net basis.

Provisions for losses are recognized for contract assets on the basis of expected credit losses.

Method of determination of expected credit loss of contract assets. For contract assets arising from the Group's normal performance of contracts, if contractual payment is no more than 30 days past due, the Group determines that there is no difference between the cash flows receivable for the contract and the cash flows expected to be received, and no provision for impairment of contract assets is recognised. If contractual payment is no less than 30 days past due, the Group recognises provision for impairment of contract assets based on the expected credit losses of the contract assets for the entire duration of the contract. For the method of determination, please refer to the description in “11. Accounts receivable” above.

Accounting treatment method. The Group calculates the expected credit loss of contract assets on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current provision for contract assets, the Group recognises the difference as impairment losses, and it will debit “credit impairment loss” and credit “provision for impairment of contract assets”. Otherwise, the Group recognises the difference as an impairment gain and makes the opposite accounting record.

If the Group incurs credit loss and determines that the relevant contract assets are unrecoverable, subject to the approval for writing off, it will debit “provision for impairment of contract assets” and credit “contract assets” based on the approved amount written-off. If the written-off amount is greater than the loss allowance made, the difference is debited as “credit impairment loss”.

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(XXVIII) Contract costs

The Group's assets related to contract costs include contract acquisition costs and contract performance costs. They are presented in inventories, other current assets and other non-current assets, respectively, depending on their liquidity.

1. *Method of determination of amount of assets relating to contract costs*

The cost incurred by the Group to perform a contract are not applicable to the scope of regulation of relevant standards such as inventory, fixed assets or intangible assets and meets all of the following conditions, and is recognised as an asset as contract performance cost:

- (1) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- (2) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future;
- (3) the costs are expected to be recovered.

The incremental cost for the Group to obtain a contract is expected to be recoverable and is recognised as an asset as contract acquisition cost, unless If the amortisation period is no more than one year. Incremental cost refers to the cost which will not be incurred by the Group had no contract been acquired. Other expenses incurred by the Group to obtain contracts (other than the incremental cost which is expected to be recoverable) are included in profit or loss as incurred, save for those expressly to be borne by customers.

2. *Amortisation of assets relating to contract costs*

The Group's assets relating to contract costs are amortised using the same basis as that for recognition of the revenue from goods relating to the assets, which are included in profit or loss.

3. *Impairment of assets relating to contract costs*

In determining the loss on impairment of assets relating to contract costs, the Group first determines the impairment loss for other assets relating to contract costs recognised in accordance with the relevant Accounting Standards for Business Enterprises and then makes provision for impairment based on the excess of its carrying value over the sum of the remaining consideration expected to be received from transfer of the goods relating to the asset and the cost expected to be incurred for transfer of the relevant goods, which is recognised as loss on impairment of assets.

If there is any change in the factors causing impairment in the previous periods, resulting in the said difference higher than the carrying value of the asset, the provision for impairment of assets previously made is reversed and is included in profit or loss. However, the carrying value of the asset following reversal shall not exceed the carrying value of the asset as at the date of reversal, which had no provision for impairment been made.

(XXIX) Government grants

Government grants are monetary or non-monetary assets obtained from the governments, excluding the contributed capital from the government investor. The special grant of investment from government, which should be recognised as capital reserves according to related national documents, should also be capitalised in nature, and therefore shouldn't be recognised as government grants. Government grants are recognized when the conditions attached to the government grants can be met and can be received.

If a government grant is a monetary asset, it is measured at actual received or receivable amount. Government grants that are non-monetary assets are measured at fair value. If the fair value of a non-monetary asset cannot be determined in a reliable way, it is measured at its nominal amount (RMB1). Government grants that are measured at nominal amounts are recognized directly in profit or loss for the current period.

1. *Basis of judgment and accounting treatment for asset-related government grants*

Asset-related government grants are government grants acquired by the Group for the acquisition or long-term assets formed in other ways.

Government grants related to assets are recognized as deferred income and recognized in profit or loss for the current period over the useful life of the related assets in accordance with the straight-line method. If the related assets are sold, transferred, scrapped or destroyed before the end of their useful lives, the unallocated balance of the related deferred gain or loss is transferred to profit or loss in the period when the assets are disposed of.

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2. **Judgment basis and accounting treatment of revenue-related government grants**

Revenue-related government grants are government grants other than those related to assets.

Government grants related to revenue that are used to compensate for related costs and expenses or losses in subsequent periods are recognized as deferred revenue and charged to the profit or loss in the current period in which the related costs and expenses or losses are recognized; those used to compensate for related costs and losses already incurred are charged directly to the profit or loss for the current period.

The Group classifies government grants that are difficult to distinguish as a whole as revenue-related government grants.

Government grants related to ordinary activities are recognized in other income in accordance with the substance of economic operations. Government grants that are not related to ordinary activities are included in non-operating income.

3. **Accounting treatment for loan interest subsidy**

Where the Group has obtained loan interest subsidy, different accounting treatment will be applied in accordance with the following principles:

- (1) Where the interest subsidy is paid to the lending bank which provides loan to the Group at a preferential interest rate, the Group recognises the loan at the actual amount of loan received and the interest expense is calculated based on the principal of the loan and the preferential interest rate.
- (2) Where the interest subsidy is directly paid to the Group, the interest subsidy is utilised to offset the interest expense.

If any government grant recognised by the Group is required to be returned, the accounting treatments shall be conducted for the period of return in accordance with the following:

- ① if the government grant is utilised to offset the carrying value of the relevant assets at initial recognition, the carrying value of the assets shall be adjusted.
- ② any deferred income is utilised to offset the book balance of the relevant deferred income and any excess is included in profit or loss for the current period.
- ③ under any other circumstances, they are directly included in profit for loss for the current period.

(XXX) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized using the balance sheet liability method for temporary differences arising from differences between the carrying amounts of certain items of assets and liabilities and their tax bases, as well as differences between the carrying amounts of items that are not recognized as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the tax laws.

Deferred income tax is generally recognized on all temporary differences. However, for deductible temporary differences, deductible losses and tax credits that can be carried forward to future years, the Group recognises deferred income tax assets to the extent that it is probable that taxable income will be available against which the deductible temporary differences, deductible losses and tax credits that can be utilized.

In addition, No deferred tax liability is recognised for a temporary difference arising from initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss).

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and the carrying amount of deferred tax assets is written down if it is more likely that sufficient taxable income will not be available against which the benefit of the deferred tax assets can be utilized in the future. To the extent that it is probable that sufficient taxable income will be available, the written down amount is reversed.

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(XXXI) Leases

A lease is a contract in which the lessor grants the right to use an asset to the lessee for a certain period of time for consideration.

At the inception/change date of a contract, the Group assesses whether the contract is a lease or contains a lease. The Group does not reassess whether a contract is a lease or contains a lease unless there is a change in the terms and conditions of the contract.

1. The Group as lessee

(1) Splitting of lease

If a contract contains one or more lease and non-lease components at the same time, the Group splits each individual lease and non-lease component and apportions the contract consideration in the relative proportion of the sum of the individual prices of each lease component and the individual prices of the non-lease components.

(2) Right-of-use assets

At the commencement date of the lease term, the Group recognises right-of-use assets and lease liabilities for leases other than short-term leases and leases of low-value assets, and recognises depreciation expense and interest expense, respectively, over the lease term.

The right-of-use assets refer to the right of the lessee to use the leased asset during the lease term. On the commencement date of the lease term, the right-of-use assets are initially measured at cost. The cost includes: ①The initial measurement amount of the lease liability; ②The lease payment amount paid on or before the commencement date of the lease term, and the relevant amount of the lease incentive that has been enjoyed shall be deducted if there is a lease incentive; ③The initial direct costs incurred by the lessee; ④The cost which the lessee is expected to dismantle and remove the leased asset, restore the site of leased asset or restore the leased asset to the agreed terms of the lease terms.

The depreciation of the right-of-use assets of the Group is accrued using the straight-line method. For those who can reasonably determine the ownership of the leased asset when the lease term expires, the depreciation is made within the estimated remaining useful life of the leased asset. If it is not reasonable to determine that the leased asset will be acquired at the expiration of the lease term, the depreciation is made during the shorter period between the lease term and the remaining useful life of the leased asset.

The Group determines whether the right-of-use assets have been impaired and carries out accounting treatment to the identified impairment loss in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 8 – Impairment of Assets.

(3) Lease liability

Lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date of the lease term. In calculating the present value of the lease payments, the Group uses the interest rate embedded in the lease as the discount rate.

If the interest rate embedded in the lease cannot be reasonably determined, the Group's incremental borrowing rate is used as the discount rate. The lease payments, being payments made by the Group to the lessor in connection with the right to use the leased asset during the lease term, include: ①The fixed payment amount (including the substantial fixed payment amount), and the relevant amount of the lease incentive shall be deducted if there is a lease incentive; ②Variable lease payments depending on the index or ratio; ③The amount expected to be paid based on the residual value of the guarantee provided by the lessee; ④The exercise price of purchasing the option, to be determined by the Group on a reasonable basis; ⑤If the lease term reflects that the Group will exercise the option to terminate the lease, payments required to exercise the option to terminate the lease.

Variable lease payments that depend on an index or rate are determined at initial measurement based on the index or rate at the inception date of the lease term. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss when they are actually incurred.

After the commencement date of the lease term, the Group calculates the interest expense on the lease liability for each period of the lease term based on a fixed periodic interest rate and includes it in finance costs. This periodic interest rate is the discount rate or revised discount rate adopted by the Company.

When the Group's evaluation on the renewal and the termination of leasing or purchasing the option changes, the lease liabilities will be re-measured according to the present value of the changed lease payment and the revised discount rate, and the book value of the right-of-use assets will be adjusted accordingly. When the actual lease payment amount, the estimated amount of the guarantee residual value or the variable lease payment amount depending on the index or ratio changes, the lease liability will be re-measured according to the present value calculated from the changed lease payment amount and the original discount rate, and the book value of the right-of-use assets will be adjusted accordingly.

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(4) *Short-term leases and leases of low-value assets*

The Group has chosen not to recognise right-of-use assets and lease liabilities for short-term leases of transportation equipment, machinery and equipment and electronic equipment, as well as leases of low-value assets. Short-term leases refer to leases with a lease term of not more than 12 months at the commencement date of the lease term and do not contain a purchase option. Low-value asset leases are leases with a lower value when the individual leased asset is a brand-new asset. The Group recognises lease payments under short-term leases and leases of low-value asset in the profit or loss for the current period or the cost of the related assets on a straight-line basis over the respective periods of the lease term.

(5) *Lease modification*

If a lease is modified and the following conditions are met, the Group will account for the lease modification as a separate lease.

- ① The lease modification expands the scope of the lease by adding the right to use one or more leased assets;
- ② The increased consideration is equivalent to the separate price of the expanded portion of the lease scope adjusted for the circumstances of that contract.

If a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Group reapportioned the consideration of the modified contract, redetermined the lease term, and remeasured the lease liability based on the present value of the modified lease payments and the revised discount rate.

If a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Group reduces the carrying value of the right-of-use assets accordingly and recognises the gain or loss related to the partial termination or complete termination of the lease in the profit or loss for the current period. If other lease modifications result in the remeasurement of the lease liability, the Group adjusts the carrying value of the right-of-use assets accordingly.

2. *The Group as lessor*

(1) *Splitting of lease*

If a contract contains both lease and non-lease components, the Group apportions the contract consideration in accordance with the provisions of "Accounting Standards for Business Enterprises No. 14-Revenue Standards" on apportionment of transaction prices, based on the respective individual selling prices of the lease component and non-lease component.

(2) *Classification of leases*

Leases that substantially transfer almost all the risks and rewards associated with the ownership of leased assets are finance leases. Leases other than finance leases are operating leases.

(3) *Operating lease*

The Group adopts the straight-line method in each period of the lease term to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Group in relation to the operating leases are capitalised and recognised in the current period over the lease term on the same basis as the recognition of rental income.

Variable lease receipts obtained by the Group in connection with operating leases that are not included in the lease receipts are recognized in the profit or loss for the current period when they are actually incurred.

(XXXII) Discontinued operations

Discontinued operations refer to components of the Group which satisfies the following conditions and can be independently distinguished, and such components has been disposed of or classified as held as available-for-sale:

- (1) the component represents an independent major business or an independent major region of activity;
- (2) the component is an intended disposal of part of a relevant plan of an independent major business or an independent major region of activity;
- (3) the component is a subsidiary acquired specifically for resale.

For discontinued operations presented in the current period, the Group presents profits or losses from continuing operations and discontinued operations separately in the income statement for the current period and restates the information originally reported as profit or loss from continuing operations in the income statement for the comparative periods as profit or loss from discontinued operations for the comparative accounting periods.

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(XXXIII) Hedge Accounting

1. Classification of hedging

- (1) Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (except foreign exchange risk).
- (2) Cash flow hedge is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.
- (3) Hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. Net investment in a foreign operation is the share of interest in the net asset of the foreign operation.

2. Designation of the hedge relationship and recognition of the effectiveness of hedging

At the inception of a hedge relationship, the Group formally designates the hedge relationship and documents the hedge relationship, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the nature and quantity of the hedging instrument, the nature and quantity of the hedged item, the nature of the risk being hedged, the type of hedging and how the Group will assess the hedging instrument's effectiveness. Hedging instrument's effectiveness means the degree of the change of fair value and cash flow of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

The hedge is assessed by the Group for effectiveness on an ongoing basis and judged whether it meets the requirements for the effectiveness of using hedge accounting throughout the accounting periods for which the hedging relationship was designated. Provided the discontent of the requirements, the application of a hedge shall be terminated.

The application of hedge accounting shall meet the following requirements on the effectiveness of the hedge:

- (1) There is an economic relationship between the hedged item and the hedging instrument.
- (2) The effect of credit risk does not dominate the value changes that result from that economic relationship.
- (3) The appropriate hedge ratio will not cause the imbalance of relative weight between the hedged item and the hedging instrument, thus generating accounting results inconsistent with the hedge accounting objectives. If the hedge ratio is no longer inappropriate, but the hedge risk management objectives do not change, the amount of the hedged item or the hedging instrument shall be adjusted, so that the hedge ratio can re-meet the requirements on the effectiveness.

3. Criteria for hedge accounting

(1) Fair value hedges

The change in the fair value of a hedging derivative is recognized in the current profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognized in the current profit or loss.

For fair value hedges relating to financial instruments carried at amortized cost, the adjustment to carrying amount is amortized through the current profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to the current profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the current profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the current profit or loss. The changes in the fair value of the hedging instrument are also recognized in the current profit or loss.

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(2) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while the ineffective portion is recognized immediately in the current profit or loss.

Amounts taken to other comprehensive income are transferred to the current profit or loss when the hedged transaction affects the current profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or nonfinancial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or non-financial liability (or originally recognized in other comprehensive income, and transferred in the same period as the profit and loss is affected by the non-financial assets and non-financial debts, the amounts shall be included in the current profit or loss).

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognized in other comprehensive income are transferred to the current profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in there until the forecast transaction or firm commitment affects the current profit or loss.

(3) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the current profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the current profit or loss.

(XXXIV) Segment reporting

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments, after taking into account of the principle of materiality. In preparing segment reports, the Group measures the revenue from inter-segment transactions based on the actual transaction price. The accounting policies adopted for segment reporting are consistent with those adopted for the preparation of the Group's financial statements.

(XXXV) Fair value measurement

The Group measures its investments in derivative financial instruments and other equity instruments at fair value at each balance sheet date. The Group measures the relevant assets or liability at fair value supposing the orderly transaction of asset selling or liability transferring incurring in a principal market of relevant assets or liabilities. In the absence of a principal market for the asset or liability, the group assumes that the transaction take place at the most advantageous market of relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the group can enter into at measurement date. The Group implements the hypothesis used by the market participants to realize the maximum economic benefit in assets or liabilities pricing.

For non-financial assets measured at fair value, the Group should consider the capacity of the market participants to put the assets into optimal use thus generating the economic benefit, or the capacity to sell assets to other market participants who can put the assets into optimal use and generate economic benefit.

The Group implements the valuation technique suitable for the current condition and supported by enough available data and other information, gives priority in use of relevant observable inputs, only the observable inputs cannot be obtained or impracticable before using unobservable inputs.

For the assets and liabilities measured at fair value or disclosed in the financial statements, fair value hierarchies are categorized into three levels as the lowest level input that is significant to the entire fair value measurement. Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: inputs are unobservable inputs for the underlying asset or liability.

The Group prioritizes the use of Level 1 inputs and then finally uses Level 3 inputs. The Group uses Level 1 inputs for shares of listed companies, Level 2 inputs for forward foreign exchange contracts and Level 3 inputs for investments in other equity instruments of unlisted companies to measure fair value using valuation techniques.

At each balance sheet date, the Group reviews the assets and liabilities recognized to be measured at fair value on the financial statements to make sure whether conversion occurs between fair value hierarchies.

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(XXXVI) Other significant accounting policies and accounting estimates

When preparing financial statements, the management of the Group needs to use assumptions and evaluations, which might influence accounting policy application and the amounts of assets, liabilities revenues and expenses. The effective results might differ from these estimates. The management of the Group continues to evaluate the uncertain factors and key assumptions that affect estimates. The changes on accounting estimates effects should be recognised in the current period or carry forward.

The following accounting estimates and key assumptions would result in significant adjustment of the book value of assets and liabilities for next fiscal year.

1. *Net realisable value of inventories*

The Group estimates net realisable value of inventories on a regular basis, and the difference of inventory cost higher than net realisable value is recognised as loss on impairment of inventories. The Group estimates the net realisable value of inventories based on estimated price of similar goods, net of costs, selling expenses and related taxes. If the effective price is different from estimated price, the management would adjust the net realisable value. Therefore, the estimation according to current experience would be different from the actual value, resulting in adjustment to book value of Inventories in the balance sheet. Provision for impairment of inventories could be revised because of the above issues. The adjustment for provision for impairment of inventories could affect the current profit or loss.

2. *Estimated useful life and residual value of fixed assets and intangible assets*

The Group depreciates or amortizes property, plant and equipment and intangible assets over their estimated useful lives, taking into account their residual values. The Group reviews the estimated useful lives and residual values of fixed assets and intangible assets at least at the end of each year. The estimated useful lives, residual values are determined by management based on the historical experience of similar assets, with reference to estimates generally applied in the same industry and in conjunction with expected technological updates. When there is a significant change in previous estimates, depreciation expense and amortization expense in future periods are adjusted accordingly.

3. *Impairment of financial instruments*

The Group uses the expected credit loss model to assess the impairment of financial assets measured at amortized cost, investments in debt instruments measured at fair value through other comprehensive income, and lease receivables. The application of the expected credit loss model requires significant judgments and estimates, which require consideration of all reasonable and substantiated information, including forward-looking information. In making such judgments and estimates, the Group presumed expected changes in debtors' credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment made may not equal to the actual amount of future impairment loss.

4. *Impairment of non-current assets other than financial assets (other than goodwill)*

The Group determines at the balance sheet date whether there is an indication that a non-current asset, other than financial assets, may be impaired. Intangible assets with indefinite useful lives are tested for impairment when there is an indication of impairment, in addition to the impairment test performed annually. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. *Target contract cost*

The Group reviews the target contract cost on a regular basis. The estimated cost of uncompleted part that might incur in the future would be revised constantly based on the total cost of the same type ships, which have completed, actual cost and progress of the ships in progress, changes in materials and employees and others.

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6. **Income tax**

The Group estimates income tax expense and deferred income tax in accordance with existing tax laws and regulations, taking into account special approvals obtained from the relevant tax authorities and tax incentives to which the Group is entitled in the places or jurisdictions in which it operates. In the normal course of business, there will be uncertainties in the ultimate tax treatment of some transactions and matters. If the final determination of these tax matters differs from the amounts initially recorded, such difference will have an impact on the amount of income tax expense and deferred income tax in the period in which such final determination is made.

Deferred income tax assets are recognized for unused losses and other deductible temporary differences, such as impairment allowances for pre-tax non-deductible receivables, inventories, fixed assets and construction in progress, to the extent that it is probable that future taxable profit will be available to cover the losses or the deductible temporary differences can be reversed. The amount of recognition of deferred tax assets requires management to apply significant estimates based on the timing and amount of future taxable profit to be generated and future tax planning.

The Group believes that the appropriate current income taxes and deferred income taxes are recognised based on current tax rules and regulations and current best estimates and assumptions. If future changes in tax rules and regulations or related circumstances require adjustments to current and deferred income taxes, which will have an impact on the Group's financial position.

7. **Measurement of defined benefit plan obligations**

The Group has recognized the supplementary retirement benefits of defined benefit plans as a liability. The estimated amount of such benefit expenses and liabilities shall be calculated and paid based on various assumptions. These assumptions include the discount rate, the growth rate of benefit expenses during relevant periods and other factors. Deviations arising between actual results and actuarial assumptions will affect the accuracy of relevant accounting estimates. Although the management believes that the above assumptions are reasonable, any changes in such assumptions will still affect the amount of estimated liabilities for relevant supplementary endowment insurance and other unplanned benefit plans.

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(XXXVII) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policy

Implementation of Interpretation No.16 of the Accounting Standards for Business Enterprises, Accounting Treatment for Deferred Income Tax Related to Assets and Liabilities Arising from a Single Transaction to which the Initial Recognition Exemption does not Apply

On 30 November 2022, the Ministry of Finance issued the Accounting Standards for Business Enterprises-Interpretation No. 16 (Cai Kuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16"), of which this provision of "Accounting Treatment for Deferred Income Tax Related to Assets and Liabilities Arising from a Single Transaction to which the Initial Recognition Exemption does not Apply" came into effect on 1 January 2023.

Interpretation No. 16 stipulates that for a single transaction that is not a business combination and affects neither the accounting profit nor taxable income (or deductible loss) at the time of the transaction, and in which the initial recognition of assets and liabilities results in an equivalent amount of taxable temporary differences and deductible temporary differences (including lease transactions in which the lessee initially recognizes the lease liabilities on the commencement date of the lease term and includes it in the right-of-use asset, as well as transactions in which the lessee recognizes the estimated liabilities and includes it to the cost of the related asset due to the existence of an obligation to dispose of, for example, a fixed asset), the initial recognition exemption of deferred tax liabilities and deferred tax assets will not apply, and the enterprise shall recognize the corresponding deferred tax liabilities and deferred tax assets respectively in accordance with the relevant provisions of "Accounting Standards for Business Enterprises No. 18 - Income Taxes" and other regulations at the time of occurrence of the transaction.

For taxable temporary differences and deductible temporary differences arising from a single transaction subject to this provision that occur between the beginning of the earliest period for the first-time application of this provision in the financial statements and the date of application, and for lease liabilities and right-of-use assets recognized at the beginning of the earliest period for the first-time application of this provision in the financial statements for a single transaction subject to this provision and for the recognized estimated liabilities related to the disposal obligation and the corresponding related assets, enterprises shall make adjustments in accordance with this provisions if they give rise to taxable temporary differences and deductible temporary differences.

The Group has implemented this provision since 1 January 2023, and the main effects of implementing this provision are as follows:

The contents and reasons of changes in accounting policies	Affected items in the financial statements	Amounts of the impacts on the balance as at 1 January 2022	
		Consolidated	The Company
Accounting treatment for deferred income tax related to assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply	Deferred tax assets	29,320,466.76	21,595.36
	Deferred tax liabilities	28,399,782.23	18,962.37
	Surplus reserve	263.30	263.30
	Retained Earnings	503,151.96	2,369.69
	Non-controlling interests		
		417,269.27	

The contents and reasons of changes in accounting policies	Affected items in the financial statements	Consolidated		The Company	
		30 June 2023/ from January to June 2023	31 December 2022/ from January to December 2022	30 June 2023/ from January to June 2023	31 December 2022/ from January to December 2022
Accounting treatment for deferred income tax related to assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply	Deferred tax assets	26,068,111.21	28,580,003.73		
	Deferred tax liabilities	25,033,479.73	27,531,263.07		
	Retained Earnings	564,038.73	572,135.41		
	Non-controlling interests	470,592.75	476,605.25		
	Income tax expenses	14,109.18	-128,056.14		2,632.99
		-6,012.50	59,335.98		

2. Changes in significant accounting estimates

There is no change in the Group's significant accounting estimates during the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
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IV. TAXATION

(I) Main taxes and rates

Type	Tax basis	Tax rate
Value-added tax	The value-added tax 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 for the period	13%, 9%, 6%
Urban maintenance and construction tax	Based on value-added tax and consumption taxes paid	7%
Educational surcharge	Based on the value-added tax and consumption taxes paid	3%
Local educational surcharge	Based on the value-added tax and consumption taxes paid	2%
Enterprise income tax	Based on taxable profits	25%, 20%, 15%
Hong Kong profits tax	Taxable income	16.50%

Companies subject to different income tax rates are disclosed as follows:

Name of tax payer	Tax rate
The Company	25.00%
Huangpu Wenchong	15.00%
Wenchong Shipyard	15.00%
Huangchuan Offshore Engineering	25.00%
Wenchuan Heavy Industrial	15.00%
CSSC New Energy	20.00%
Guangxi Heavy Industrial	20.00%
CSSC Internet	15.00%
Zhanjiang Nanhai	20.00%
Wenchong Bingshen	20.00%
Wah Shun	16.50%
Wah Loong	16.50%
Xingji	20.00%
HuaCheng	20.00%
HuaXin	20.00%
Wah Sheng	16.50%
Wah Hing	16.50%
Wah Cheung	16.50%
Wah Shui	16.50%
Wah Yu	16.50%

Other explanations: Wah Shun, Wah Loong, Wah Sheng, Wah Hing, Wah Cheung, Wah Shui and Wah Yu, which are registered in Hong Kong, are subject to Hong Kong profits tax with the rate of 16.50%.

(II) Preferential taxation treatment

1. Value-added tax

- (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 certain subsidiaries of the Group, 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 Announcement the Ministry of Finance and the State Administration of Taxation on Clarifying the Policies of VAT Reduction and Exemption for Small-scale Taxpayers (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 1), from 1 January 2023 to 31 December 2023, taxpayers in production and life service industry are allowed to deduct input tax plus 5% for the current period, and taxpayers in the daily life service industry are allowed to deduct input tax plus 10% for the current period, deducting the tax payables.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
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2. Enterprise income tax

- (1) On 20 December 2021, Huangpu Wenchong obtained a new technology enterprise certificate, Certificate No. GR202144007063, which is valid until 19 December 2024 and Huangpu Wenchong is subject to corporate income tax at a rate of 15%.
- (2) On 2 December 2022, Wenchong Shipyard obtained a new technology enterprise certificate, Certificate No. GR202244010062, which is valid until 1 December 2025 and Wenchong Shipyard is subject to corporate income tax at a rate of 15%.
- (3) On 31 December 2021, Wenchuan Heavy Industrial obtained a new technology enterprise certificate, Certificate No. GR202144012793, which is valid until 30 December 2024 and Wenchuan Heavy Industrial is subject to corporate income tax at a rate of 15%.
- (4) On 20 December 2021, CSSC Internet obtained a new technology enterprise certificate, Certificate No.: GR202144002423, which is valid until 19 December 2024 and CSSC Internet is subject to corporate income tax at a rate of 15%.
- (5) CSSC New Energy, Guangxi Heavy Industrial, Zhanjiang Nanhai, Wenchong Bingshen, Xingji, HuaCheng and HuaXin are small profit-making enterprises. According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Business (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 6), from 1 January 2023 to 31 December 2024, for small low-profit enterprises whose annual taxable income is less than RMB1 million, their income tax shall be based on the taxable income calculated at 25% of the enterprise income tax rate of 20%.

V. NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash on hand	10,620.48	27,083.98
Digital currency		
Bank deposits	5,525,038,964.77	11,069,958,201.86
Other cash at bank and on hand	4,366,904,232.65	3,743,786,475.45
Total	9,891,953,817.90	14,813,771,761.29
Including: Deposit in finance Company	5,326,452,446.59	6,203,367,651.89
Total amount deposited overseas	18,155,399.18	43,931,096.23

Other explanations: The Group's funds deposited overseas as at the end of the period are deposits of the subsidiaries established in Hong Kong.

The monetary capital which was limited to use by mortgage, pledge, and being frozen, limited to access due to centralised management of funds, or limited to remit to China in foreign countries are as following:

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	4,181,000,000.00	3,546,646,000.00
Deposit for bank acceptance bills	2,583,031.29	476,964.58
Deposit for letters of guarantee and letters of credit	842,020.36	1,099,400.00
Special housing fund for employees	17,833,679.42	17,771,472.60
Interest on fixed deposits	164,645,501.58	177,792,638.27
Total	4,366,904,232.65	3,743,786,475.45

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(II) Financial assets held-for-trading

1. Types of financial assets held-for-trading

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	319,632.03	286,739.67
Including: Investment in debt instruments		
Investments in equity instruments	319,632.03	286,739.67
Entrusted wealth management		
Financial assets designated at fair value through profit or loss	4,620,167.93	29,586,232.72
Including: Forward exchange contracts	4,620,167.93	29,586,232.72
Total	4,939,799.96	29,872,972.39

2. Financial assets held-for-trading are analysed as follows :

Item	Fair value at the end of the period	Fair value at the beginning of the year
Listed	319,632.03	286,739.67
Unlisted	4,620,167.93	29,586,232.72
Total	4,939,799.96	29,872,972.39

Other explanations: The Group's financial assets at fair value through profit or loss are equities, entrusted wealth management, forward exchange contracts.

- (1) For stocks, the fair value is determined based on the closing price of the shares at the end of the period.
- (2) For entrusted wealth management, the fair value is determined based on valuation documents provided by financial institutions.
- (3) For forward exchange contracts, at measurement date, the public price of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The prevailing benchmark loan interest rate promulgated by the People's Bank of China is chosen to be discount rate. The fair value is calculated according to the formula as follows:

As for forward foreign exchange settlement contract, choose the highest price to be input value, fair value = exchange price x (contract rate – quoted price)/number of years of discount rate.

As for forward foreign exchange purchase contract, choose the lowest quoted price to be input value, fair value = exchange price x (quoted price – contract rate)/number of years of discount rate.

If the fair value derived is positive, the Company discloses it under "Financial assets held-for-trading"; if negative, then discloses it under "Financial liabilities held-for-trading".

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(III) Notes receivable

1. Classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	17,175,915.76	13,400,688.56
Finance company acceptance bills		72,619,209.77
Commercial acceptance bills		
Total	17,175,915.76	86,019,898.33

2. Notes receivable pledged as at the end of period

Item	Pledged amount at the end of period
Bank acceptance bills	3,857,700.31
Finance company acceptance bills	
Commercial acceptance bills	
Total	3,857,700.31

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

None.

4. Notes transferred to accounts receivable at the end of period due to non-performance of drawers

None.

5. Disclosure by the method using which the provision for bad debts is made

Type	Ending balance				
	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts made on a collective basis	17,175,915.76	100.00			17,175,915.76
Including: Due within one year	17,175,915.76	100.00			17,175,915.76
Total	17,175,915.76				17,175,915.76

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(Unless otherwise stated, amounts are in RMB)

Type	Beginning balance				
	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis					
Provision for bad debts 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

(IV) Accounts receivable

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

Ageing	Ending balance	Beginning balance
Within one year	1,346,896,971.31	872,596,133.00
1 to 2 years	197,551,389.09	125,944,161.53
2 to 3 years	92,853,874.92	88,335,853.28
3 to 4 years	7,752,043.75	2,245,358.18
4 to 5 years	12,770,372.06	10,822,918.40
Over 5 years	1,214,057.21	1,187,971.86
Sub-total	1,659,038,708.34	1,101,132,396.25
Less: provision for bad debts	43,379,443.96	33,078,524.31
Total	1,615,659,264.38	1,068,053,871.94

2. Credit period of accounts receivable

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

3. Disclosure of accounts receivable by method using of bad debt provision

Type	Ending balance				
	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
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 made on a collective basis	1,659,038,708.34	100.00	43,379,443.96	2.61	1,615,659,264.38
Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	1,659,038,708.34	100.00	43,379,443.96	2.61	1,615,659,264.38
Total	1,659,038,708.34	100.00	43,379,443.96		1,615,659,264.38

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
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Type	Book balance		Beginning balance		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
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 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	100.00	33,078,524.31		1,068,053,871.94

(1) Accounts receivable with provision for bad debts made on an individual basis

None.

(2) Accounts receivable with provision for bad debts made on a collective basis

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Related parties portfolio	121,512,020.99		
Portfolio of government units and public institutions	550,871,547.14		
Ageing portfolio	986,655,140.21	43,379,443.96	4.40
Total	1,659,038,708.34	43,379,443.96	

Breakdown of ageing on a collective basis:

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Within one year (1 year inclusive)	738,613,495.69	853,511.67	0.12
1 to 2 years	185,374,403.61	18,537,440.36	10.00
2 to 3 years	52,768,190.34	15,830,457.11	30.00
3 to 4 years	5,750,944.79	4,600,755.83	80.00
4 to 5 years	2,954,133.92	2,363,307.13	80.00
Over 5 years	1,193,971.86	1,193,971.86	100.00
Total	986,655,140.21	43,379,443.96	

NOTES TO THE FINANCIAL STATEMENTS

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4. Provision for bad debts provision made, reversed or recovered during the period

Type	Beginning balance	Change in the period			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts in respect of accounts receivable	33,078,524.31	10,300,919.65			43,379,443.96
Total	33,078,524.31	10,300,919.65			43,379,443.96

5. Accounts receivable actually written-off during the period

None.

6. Top five accounts receivable by ending balance of debtors

Name of entity	Ending balance		
	Accounts receivable	Percentage of total accounts receivable (%)	Provision for bad debts
Unit 1	361,431,791.13	21.79	
Unit 2	215,028,000.00	12.96	
Unit 3	201,501,601.23	12.15	9,229,059.22
Unit 4	96,510,633.14	5.82	
Unit 5	71,351,910.50	4.30	
Total	945,823,936.00	57.02	9,229,059.22

7. Accounts receivable derecognised arising from transfer of financial assets

None.

8. Amounts of assets and liabilities transferred from accounts receivable with continuing involvement

None.

(V) Financing receivables

1. Financing receivables

Item	Ending balance	Beginning balance
Notes receivable	37,253,238.80	13,194,089.30
Accounts receivable	76,458,417.89	98,694,456.50
Total	113,711,656.69	111,888,545.80

Other explanations: The Group discounts and endorses a portion of its bank acceptance bills more frequently for day-to-day fund management purposes. Therefore, the Group classified bank acceptance bills with higher remaining credit rating on the books as financial assets measured at fair value through other comprehensive income, and the Group believed that the bank acceptance bills held by it are not subject to significant credit risk and will not incur significant losses due to bank defaults, and therefore no bad debt provision has been recognized. The electronic debt certificates of accounts receivable obtained by the Group generating from the sale of goods and the provision of services are included in the item under the "Accounts Receivable" if the mode of business management aims to collect the contract cashflow; For the purpose of collecting the contract cashflow and selling, it is included in the item under the "Financing receivables."

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2. Changes in receivable financing and fair value changes in the current period

Items	Beginning balance	Addition during the period	Derecognised during the period	Other changes	Ending balance	Accumulated loss provision recognized in other comprehensive income
Notes receivable	13,194,089.30	46,464,474.80	22,405,325.30		37,253,238.80	
Accounts receivable	98,694,456.50	28,004,594.58	50,240,633.19		76,458,417.89	
Total	111,888,545.80	74,469,069.38	72,645,958.49		113,711,656.69	

3. Provision for impairment receivable financing

Type	Beginning balance	Change in the period			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts in respect of accounts receivable	44,927.81	-44,927.81			
Total	44,927.81	-44,927.81			

4. Receivable financing which have been endorsed or discounted at the end of the period to other party but not yet expired at the balance sheet date

Item	Amount derecognized as at the end of the period	Amount not derecognized as at the end of the period
Notes receivable	41,110,939.11	
Accounts receivable		
Total	41,110,939.11	

(VI) Prepayments

1. Ageing of prepayments

Ageing	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,511,137,052.80	46.39	2,009,553,948.78	69.48
1-2 years	1,352,386,108.17	41.52	663,058,322.62	22.93
2-3 years	223,223,138.20	6.85	2,680,693.04	0.09
Over 3 years	170,543,987.41	5.24	216,795,432.13	7.50
Total	3,257,290,286.58	100.00	2,892,088,396.57	100.00

NOTES TO THE FINANCIAL STATEMENTS

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Significant prepayments aged over 1 year:

Name of the entity	Relationship with the Group	Ending balance	Of which aged over one year	Amount aged over 1 year as a percentage of total prepayments (%)	Ageing	Reason for unsettlement
China Shipbuilding Trading Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	475,712,834.48	303,148,065.05	9.31	1 to 2 years and 2 to 3 years	Large equipment received in batches and inspected and accepted
Hudong Heavy Machinery Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	539,717,125.75	218,757,125.75	6.72	1 to 2 years	Large equipment received in batches and inspected and accepted
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	122,039,933.91	114,039,933.91	3.50	1 to 2 years, 2 to 3 years and over 3 years	Large equipment received in batches and inspected and accepted
China National Shipbuilding Equipment & Materials Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	413,003,331.04	64,089,193.74	1.97	1 to 2 years	Large equipment received in batches and inspected and accepted
Guangzhou Denes International Trading Co., Ltd. (廣州德內斯國際貿易有限公司)	Unrelated party	43,161,955.20	43,161,955.20	1.33	1 to 2 years	Large equipment received in batches and inspected and accepted
MTU Asia Pte. Ltd.	Unrelated party	29,913,617.97	29,913,617.97	0.92	Over 3 years	Large equipment received in batches and inspected and accepted
Tognum Aisa Ltd.	Unrelated party	28,854,422.00	28,854,422.00	0.89	Over 3 years	Large equipment received in batches and inspected and accepted
Miwirth Offshore Petroleum Engineering (SHANGHAI) Co., Ltd.	Unrelated party	28,604,070.00	28,604,070.00	0.88	1 to 2 years	Large equipment received in batches and inspected and accepted
Anqing CSSC Diesel Engine Co., Ltd.	Controlled by the same controlling shareholders and actual controllers	88,526,526.73	26,746,526.73	0.82	1 to 2 years	Large equipment received in batches and inspected and accepted
Wartsila Services (Shanghai) Ltd. (瓦錫蘭維修服務(上海)有限公司)	Unrelated party	65,067,855.00	20,105,455.00	0.62	1 to 2 years and 2 to 3 years	Large equipment received in batches and inspected and accepted
National Oilwell Varco Norway AS	Unrelated party	21,158,640.00	15,761,280.00	0.48	1 to 2 years	Large equipment received in batches and inspected and accepted
Dalian CRRC Diesel Engine Special Equipment Co., Ltd.	Unrelated party	12,480,000.00	12,480,000.00	0.38	Over 3 years	Large equipment received in batches and inspected and accepted
IHI POWER SYSTEMS CO LTD	Unrelated party	33,044,874.74	11,470,174.80	0.35	1 to 2 years	Large equipment received in batches and inspected and accepted
Total		1,901,285,186.82	917,131,820.15	28.17		

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From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

2. Top five prepayments by supplier based on ending balance

Name of entity	Ending balance	Percentage of total ending balance of advances to suppliers (%)
Hudong Heavy Machinery Co., Ltd.	539,717,125.75	16.57
China Shipbuilding Trading Co., Ltd.	475,712,834.48	14.60
China National Shipbuilding Equipment & Materials Co., Ltd.	413,003,331.04	12.68
Shanghai Academy of Spaceflight Technology	176,160,700.00	5.41
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd	122,039,933.91	3.75
Total	1,726,633,925.18	53.01

(VII) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable		
Other receivables	62,946,641.92	60,834,609.19
Total	62,946,641.92	60,834,609.19

Other receivables:

(1) Disclosure by ageing

Ageing	Ending balance	Beginning balance
Within one year	30,056,430.42	27,355,533.81
1 to 2 years	21,173,263.27	22,121,885.96
2 to 3 years	5,510,415.46	6,646,877.48
3 to 4 years	2,071,969.95	4,894,722.51
4 to 5 years	4,490,086.60	103,419.00
Over 5 years	288,102.36	104,178.36
Sub-total	63,590,268.06	61,226,617.12
Less: provision for bad debts	643,626.14	392,007.93
Total	62,946,641.92	60,834,609.19

(2) Disclosure by the method using which the provision for bad debts is made

Type	Ending balance				Carrying Value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis	131,780.00	0.21	131,780.00	100.00	
Including: Other receivables of which the credit risk has significantly increased since initial recognition	131,780.00	0.21	131,780.00	100.00	
Provision for bad debts made on a collective basis	63,458,488.06	99.79	511,846.14	0.81	62,946,641.92
Including: Other receivables of which the credit risk has not significantly increased since initial recognition	63,458,488.06	99.79	511,846.14	0.81	62,946,641.92
Total	63,590,268.06	100.00	643,626.14		62,946,641.92

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Type	Book balance		Beginning balance		Carrying Value
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis	131,780.00	0.22	131,780.00	100.00	
Including: Other receivables of which the credit risk has significantly increased since initial recognition	131,780.00	0.22	131,780.00	100.00	
Provision for bad debts made on a collective basis	61,094,837.12	99.78	260,227.93	0.43	60,834,609.19
Including: Other receivables of which the credit risk has not significantly increased since initial recognition	61,094,837.12	99.78	260,227.93	0.43	60,834,609.19
Total	61,226,617.12	100.00	392,007.93		60,834,609.19

1) *Other receivables with provision for bad debts made on an individual basis*

Name	Ending balance			Reason for the provision
	Book balance	Provision for bad debts	Percentage of provision (%)	
Shenzhen Gangwan Energy Co., Ltd.	120,000.00	120,000.00	100.00	Unable to recover
Tianjin Smit Precision Instrument Co., Ltd.	4,500.00	4,500.00	100.00	Unable to recover
Chengdu Hongshengda Electromechanical Equipment Co., Ltd.	4,100.00	4,100.00	100.00	Unable to recover
Shenzhen Wanruian Technology Co., Ltd.	1,680.00	1,680.00	100.00	Unable to recover
Botou Jiatai Machinery Equipment Manufacturing Co., Ltd.	1,500.00	1,500.00	100.00	Unable to recover
Total	131,780.00	131,780.00		

2) *Other receivables with provision for bad debts made on a collective basis*

Name	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Portfolio of deposit and security deposit that are not past due	40,253,859.44		
Portfolio of retained reserve and employee loans	9,426,936.99		
Related parties portfolio within the scope of consolidation of group	3,991,180.19		
Portfolio of government units and public institutions	2,442,194.75		
Ageing portfolio	7,344,316.69	511,846.14	6.97
Total	63,458,488.06	511,846.14	

The details of the ageing portfolio are as follows:

Name	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within 1 year (1 year inclusive)	6,496,555.46	218,761.02	3.37
1 to 2 years	268,725.92	26,872.59	10.00
2 to 3 years	400,000.00	120,000.00	30.00
3 to 4 years	38,837.95	19,418.97	50.00
4 to 5 years	67,019.00	53,615.20	80.00
Over 5 years	73,178.36	73,178.36	100.00
Total	7,344,316.69	511,846.14	

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(Unless otherwise stated, amounts are in RMB)

(3) Provision for bad debts

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	
Beginning balance	2,032.37	258,195.56	131,780.00	392,007.93
Beginning balance for the current year				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the period	243,601.24	8,016.97		251,618.21
Reversed during the period				
Offset during the period				
Written off during the period				
Other changes				
Ending balance	245,633.61	266,212.53	131,780.00	643,626.14

Changes in book balance of other receivables are as follows:

Book balance	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	
Beginning balance	60,516,639.76	578,197.36	131,780.00	61,226,617.12
Beginning balance for the current year				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Increased during the period	2,362,812.99	837.95		2,363,650.94
Derecognised during the period				
Other changes				
Ending balance	62,879,452.75	579,035.31	131,780.00	63,590,268.06

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

Type	Beginning balance	Change in the period		Ending balance
		Provision made	Recovered or reversed	
Provision for bad debts of other receivables	392,007.93	251,618.21		643,626.14
Total	392,007.93	251,618.21		643,626.14

(5) Other receivables actually written off during the period

None.

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(6) **Breakdown of other receivables by nature**

Nature of amount	Book balance as at the end of the period	Book balance as at the beginning the year
Refundable deposit	40,253,859.44	42,212,692.10
Reserve funds	9,426,936.99	12,027,217.94
Other current accounts	13,909,471.63	6,986,707.08
Total	63,590,268.06	61,226,617.12

(7) **Top five other receivables by ending balance of debtors**

Name of entity	Nature of amount	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debt
South China Sea Institute of Oceanology, CAS	Refundable deposit	14,359,000.00	1 to 2 years	22.58	
Guangxin Shipbuilding & Heavy Industry Co. Ltd.	Refundable deposit	8,000,000.00	2 to 5 years	12.58	
Guangdong COSCO Shipping Heavy Industry Co. Ltd. (廣東中遠海運重工有限公司)	Refundable deposit	3,960,000.00	1 to 2 years	6.23	
Guangdong Talent Valley Industrial Investment Co., Ltd.	Refundable deposit	1,319,850.00	Within one year	2.08	
Shenzhen-Zhongshan Bridge Management Centre (深中通道管理中心)	Refundable deposit	1,000,000.00	3 to 4 years	1.57	
Total		28,638,850.00		45.04	

(8) **Other receivables related to government grants**

None.

(9) **Other receivables derecognised arising from transfer of financial assets**

None.

(10) **Transfer of other receivables that continue to involve amounts of assets and liabilities formed**

None.

(VIII) **Inventories**

1. **Breakdown of inventories**

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment of inventories/ provision for impairment of contract performance cost	Carrying value	Book balance	Provision for impairment of inventories/ provision for impairment of contract performance cost	Carrying value
Raw materials	748,198,318.32	4,916,664.18	743,281,654.14	727,613,766.74	4,916,664.18	722,697,102.56
Work in progress	3,694,336,657.41	75,282,390.69	3,619,054,266.72	2,710,886,813.34	125,259,775.83	2,585,627,037.71
Contract performance cost	1,050,809,370.37		1,050,809,370.37	1,045,286,680.14		1,045,286,680.14
Goods in transit	56,959.18	56,959.18		56,959.18	56,959.18	
Total	5,493,401,305.28	80,256,014.05	5,413,145,291.23	4,483,844,219.40	130,233,398.99	4,353,610,820.41

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(Unless otherwise stated, amounts are in RMB)

2. Provision for impairment of inventories and provision for impairment of contract performance cost

Item	Beginning balance	Increase for the period		Decrease for the period		Ending balance
		Provision	Others	Reversal or writing-off	Other transfer-out	
Raw materials	4,916,664.18					4,916,664.18
Work in progress	125,259,775.63	4,457,594.94		54,434,979.88		75,282,390.69
Goods in transit	56,959.18					56,959.18
Total	130,233,398.99	4,457,594.94		54,434,979.88		80,256,014.05

3. Provision for impairment of inventories made

Item	Basis for determination of net realisable value	Reason for reversal or offsetting during the period
Raw materials	Book cost higher than net realisable value (estimated disposal proceeds less taxes)	Production and reuse
Work in progress	Book cost higher than net realisable value (estimated selling price less related costs and expenses, etc.)	Completed for sale
Goods in transit	Book cost higher than net realisable value (estimated selling price less related costs and expenses, etc.)	Completed for sale

4. Note on capitalised borrowing costs included in ending balance of inventory

None.

5. Note on amount of amortisation of contract performance cost for the period

The amount of amortisation of contract performance cost for the period was transferred to operating cost.

(IX) Contract assets

1. Information on contract assets

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets related to shipbuilding	2,516,990,842.00		2,516,990,842.00	1,226,644,965.39		1,226,644,965.39
Contract assets related to steel structures	692,473,313.76		692,473,313.76	594,662,750.10		594,662,750.10
Outstanding warranties previously included in accounts receivable	622,700,428.47		622,700,428.47	472,953,383.80		472,953,383.80
Total	3,832,164,584.23		3,832,164,584.23	2,294,261,099.29		2,294,261,099.29

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

2. Amount and reason for significant changes in carrying values during the period

Item	Amount of change	Reason for change
Contract assets relating to shipbuilding	1,290,345,876.61	The contract is being performed and the date of recognition of contract revenue recognised based on contract performance progress is earlier or later than the date of receipt of consideration on due date. Outstanding warranties previously included in accounts receivable were recognised.
Contract assets relating to steel structure engineering	97,810,563.66	
Outstanding warranties for accounts receivable	149,747,044.67	
Total	1,537,903,484.94	

3. Information on provision for impairment of contract assets during the year

As at the end of the period, all of the balances of contract assets of the Group arose from normal performance of contracts, and the date due for contractual payment had not arrived. No provision for impairment was made.

(X) Other current assets

Item	Ending balance	Beginning balance
Value-added input tax credit	197,623,398.62	132,961,930.80
Prepaid enterprise income tax	288,516.65	1,772,068.85
Total	197,911,915.27	134,733,999.65

(XI) Long-term receivables

1. Information on long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate (%)
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value	
Finance lease payments	384,117,827.01		384,117,827.01	394,141,383.65		394,141,383.65	2-2.42
Including: unrealised financing income	16,829,022.47		16,829,022.47	20,111,338.51		20,111,338.51	
Receipt in instalments for sale of goods	1,747,728,121.26	51,510,889.93	1,696,217,231.33	1,813,889,151.03	55,494,582.40	1,758,394,568.63	1.78-9.7
Total	2,131,845,948.27	51,510,889.93	2,080,335,058.34	2,208,030,534.68	55,494,582.40	2,152,535,952.28	

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2. Provision for bad debts accrued

	Stage 1	Stage 2	Stage 3	
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	Total
Provision for bad debts				
Beginning balance	55,494,582.40			55,494,582.40
Beginning balance during the period				
– Transfer to stage 2				
– Transfer to stage 3				
– Transfer back to stage 2				
– Transfer back to stage 1				
Provision made during the period				
Reversed during the period				
Offset during the period				
Written off during the period				
Other changes	-3,983,692.47			-3,983,692.47
Ending balance	51,510,889.93			51,510,889.93

Other description: Other decrease in provision for bad debts made for long-term receivables is due to derecognition of relevant debts.

3. Long-term receivables derecognised arising from transfer of financial assets

None.

4. Amounts of assets and liabilities transferred from long-term receivables with continuing involvement

None.

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(XII) Long-term equity investments

1. Breakdown of long-term equity investments

Investee	Beginning balance	Increase in investment	Decrease in investment	Change for the period					Ending balance	Provision for impairment
				Investment gain or loss recognised using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision made for impairment		
1. Joint ventures										
2. Subtotal of associates										
Guangzhou Shipyard International Company Limited	5,553,152,273.13			-8,700,427.82	-26,522.19	-374,233,704.76				5,170,131,618.36
CSSC Hiangou Zhengji Offshore Engineering Co., Ltd.	12,621,383.80			-205,913.16						12,415,470.64
Guangzhou Xinhang Human Resources Service Co., Ltd.	1,082,438.79			105,650.68						1,188,089.47
Shi Luohui Shipbuilding Heavy Industry Co., Ltd. (德源重工有限公司)	9,420,403.85			3,943,914.64						12,764,318.49
Sub-total	5,576,276,493.57			-5,456,775.66	-26,522.19	-374,233,704.76				5,196,499,496.96
Total	5,576,276,493.57			-5,456,775.66	-26,522.19	-374,233,704.76				5,196,499,496.96

2. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed	5,196,499,496.96	5,576,276,499.57
Unlisted		
Total	5,196,499,496.96	5,576,276,499.57

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(XIII) Investments in other equity instruments

1. Information on investments in other equity instruments

Item	Ending balance	Beginning balance
At fair value through other comprehensive income	7,196,651,479.05	4,911,318,677.22
Total	7,196,651,479.05	4,911,318,677.22

2. Analysis of other equity instruments

Item	Ending balance	Beginning balance
Listed	7,192,327,216.26	4,883,174,322.15
Including: China (except Hong Kong)	7,157,757,685.56	4,845,786,728.48
Unlisted	4,324,262.79	28,144,355.07
Total	7,196,651,479.05	4,911,318,677.22

3. Breakdown of other equity instruments

Item	Ending balance			Beginning balance		
	Book cost	Change in fair value	Carrying value	Book cost	Change in fair value	Carrying value
Sub-total of listed	2,900,598,561.63	4,291,728,654.63	7,192,327,216.26	2,900,598,561.63	1,982,575,760.52	4,883,174,322.15
CSSC	2,857,883,200.00	4,299,874,485.56	7,157,757,685.56	2,857,883,200.00	1,987,903,528.48	4,845,786,728.48
CMIC OCEAN EW TECH HOLDING CO., LTD	42,715,361.63	-8,145,830.93	34,569,530.70	42,715,361.63	-5,327,767.96	37,387,593.67
Sub-total of unlisted	2,486,465.46	1,837,797.33	4,324,262.79	18,314,465.46	9,829,889.61	28,144,355.07
Huangpu Hongshan Community Health Service Center	1,200,000.00	1,559,807.62	2,759,807.62	1,200,000.00	1,425,588.00	2,625,588.00
China Shipbuilding IT Co., Ltd.	800,000.00	-202,875.44	597,124.56	800,000.00	-225,269.98	574,730.02
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46	411,221.91	791,262.37	380,040.46	485,156.38	865,196.84
Guangzhou Xinzhou Service Co., Ltd.	106,425.00	69,643.24	176,068.24	106,425.00	64,260.78	170,685.78
CSSC Heavy Equipment Co., Ltd.				10,000,000.00	-10,000,000.00	
CSSC Finance Company Limited				5,828,000.00	18,080,154.43	23,908,154.43
Total	2,903,085,027.09	4,293,566,451.96	7,196,651,479.05	2,918,913,027.09	1,992,405,650.13	4,911,318,677.22

NOTES TO THE FINANCIAL STATEMENTS

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4. Information on investments in equity instruments not held-for-trading

Item	Dividend income recognised during the period	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Sub-total of listed	1,607,885.15	4,299,874,485.56	8,145,830.93			
China CSSC Holdings Ltd.		4,299,874,485.56			Investments not held for trading	
CMIC OCEAN EW TECH HOLDING CO., LTD	1,607,885.15		8,145,830.93		Investments not held for trading	
Sub-total of unlisted	141,969.10	21,430,672.77	202,875.44	19,390,000.00		
CSSC Finance Company Limited		19,390,000.00		19,390,000.00	Investments not held for trading	Disposal of the equity
Huangpu Hongshan Community Health Service Center		1,559,807.62			Investments not held for trading	
China Shipbuilding IT Co., Ltd.			202,875.44		Investments not held for trading	
Guangzhou Wenchuan Industrial Co., Ltd.	101,344.10	411,221.91			Investments not held for trading	
Guangzhou Xinzhou Service Co., Ltd.	40,625.00	69,643.24			Investments not held for trading	
CSSC Heavy Equipment Co., Ltd					Investments not held for trading	Disposal of the equity
Total	1,749,854.25	4,321,305,158.33	8,348,706.37	19,390,000.00		

(XIV) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Total
1. Original carrying amount		
(1) Beginning balance	157,433,262.96	157,433,262.96
(2) Increase for the period		
(3) Decrease for the period		
(4) Ending balance	157,433,262.96	157,433,262.96
2. Accumulated depreciation and amortisation		
(1) Beginning balance	21,246,631.38	21,246,631.38
(2) Increase for the period	3,268,712.52	3,268,712.52
– Provision made or amortisation	3,268,712.52	3,268,712.52
(3) Decrease for the period		
(4) Ending balance	24,515,343.90	24,515,343.90
3. Provision for impairment		
(1) Beginning balance		
(2) Increase for the period		
(3) Decrease for the period		
(4) Ending balance		
4. Carrying value		
(1) Carrying value at the end of the period	132,917,919.06	132,917,919.06
(2) Carrying value at the beginning of the year	136,186,631.58	136,186,631.58

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Other explanations:

- (1) The depreciation and amortisation of investment properties recognised in profit or loss during the period is RMB3,268,712.52 (last period: RMB3,268,712.52).
- (2) The provision for impairment of investment properties made for the period is RMB0 (last period: RMB0).
- (3) Investment properties analysed by region and ageing

Item	Ending balance	Beginning balance
Within China	132,917,919.06	136,186,631.58
Medium term (10-50 years)	132,917,919.06	136,186,631.58
Total	132,917,919.06	136,186,631.58

2. Investment properties without property ownership certificates

As at the end of the period, included in investment properties were properties with carrying amount of RMB132,917,919.06 for which the property ownership certificates were being applied for. Given the aforesaid properties were in compliance with the relevant legal procedures, the Board believes that the transfer of its title will not meet any substantial obstacle or affect their normal use by the Company and will have no material impact on the normal operation of the Group. As such, no provision for impairment is required for investment properties and there will be no additional material costs.

Item	Carrying value	Reason for failure to obtain property ownership certificates
Hull joint Workshop	72,135,017.25	In the process of obtaining ownership certificates
Component welding workshop	57,740,987.67	In the process of obtaining ownership certificates
Sanding and coating workshop	3,041,914.14	In the process of obtaining ownership certificates
Total	132,917,919.06	

(XV) Fixed assets

1. Fixed assets and disposal of fixed assets

Item	Ending balance	Beginning balance
Fixed assets	5,354,436,938.06	5,354,647,353.76
Disposal of fixed assets	53,363.61	
Total	5,354,490,301.67	5,354,647,353.76

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2. Fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
1. Original carrying amount					
(1) Beginning balance	3,290,399,643.07	2,443,149,444.75	2,459,373,372.67	213,809,522.94	8,406,731,983.43
(2) Increase for the period	96,433,565.03	55,842,991.51	8,969,964.85	13,257,803.77	174,504,325.16
– Additions		94,469.02	5,910,557.14	13,257,803.77	19,262,829.93
– Transfer from construction in progress		55,748,522.49			152,182,087.52
– Translation of foreign currency financial statements	96,433,565.03				
(3) Decrease for the period		10,421,682.94	3,059,407.71		3,059,407.71
– Disposal or retirement		10,421,682.94	5,561,683.94	1,317,305.02	17,300,671.90
– Decrease in scope of consolidation			5,561,683.94	1,317,305.02	17,300,671.90
(4) Ending balance	3,386,833,208.10	2,488,570,753.32	2,462,781,653.58	225,750,021.69	8,563,935,636.69
2. Accumulated depreciation					
(1) Beginning balance	1,157,637,880.20	1,387,502,798.09	295,826,543.18	163,434,440.68	3,004,401,662.15
(2) Increase for the period	64,428,193.16	57,329,289.15	43,472,595.94	8,531,376.00	173,761,454.25
– Provision made	64,428,193.16	57,329,289.15	43,472,595.94	8,531,376.00	173,761,454.25
(3) Decrease in current period		9,812,259.65	5,270,068.64	1,245,555.95	16,327,884.24
– Disposal or retirement		9,812,259.65	5,270,068.64	1,245,555.95	16,327,884.24
– Decrease in scope of consolidation					
(4) Ending balance	1,222,066,073.36	1,435,019,827.59	334,029,070.48	170,720,260.73	3,161,835,232.16
3. Provision for impairment					
(1) Beginning balance		2,711,632.85	44,899,190.51	72,144.16	47,682,967.52
(2) Increase for the period					
(3) Decrease for the period		19,162.84		338.21	19,501.05
– Disposal or retirement		19,162.84		338.21	19,501.05
(4) Ending balance		2,692,470.01	44,899,190.51	71,805.95	47,663,466.47
4. Carrying value					
(1) Carrying value at the end of the period	2,164,767,134.74	1,050,858,455.72	2,083,853,392.59	54,957,955.01	5,354,436,938.06
(2) Carrying value at the beginning of the year	2,132,761,762.87	1,052,935,013.81	2,118,647,638.98	50,302,938.10	5,354,647,353.76

Other explanations:

The depreciation of fixed assets recognised in profit or loss during the period is RMB173,761,454.25 (last period: RMB160,732,847.18);

Included in fixed assets added during the period is transfer from construction in progress of RMB152,182,087.52.

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3. Temporarily idle fixed assets

None.

4. Fixed assets leased out through operating leases

Item	Carrying value
Transportation vehicles	1,651,939,350.11
Total	1,651,939,350.11

5. Buildings and structures analysed by region and ageing

Item	Ending balance	Beginning balance
Within China	2,164,767,134.74	2,132,761,762.87
Including: Medium term (10-50 years)	2,164,511,531.75	2,124,551,097.74
Short term (within 10 years)	255,602.99	8,210,665.13
Total	2,164,767,134.74	2,132,761,762.87

6. Fixed assets without property ownership certificates

Item	Carrying value	Reasons for failing to obtain property certificate
Building and structures	10,184,387.57	Incomplete procedures, in progress

7. Disposal of fixed assets

Item	Ending balance	Beginning balance
Machinery and equipment	33,179.49	
Transportation vehicles	6,794.88	
Other equipment	13,389.24	
Total	53,363.61	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(XVI) Construction in progress

1. Construction in progress and engineering materials

Item	Ending balance	Beginning balance
Construction in progress	288,236,906.24	277,015,334.55
Construction materials		
Total	288,236,906.24	277,015,334.55

2. Construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Project implementation in advance	100,386,330.91		100,386,330.91	22,078,025.90		22,078,025.90
Technology reform project 1	52,079,963.14		52,079,963.14	67,462,140.42		67,462,140.42
Residential project	35,805,659.15		35,805,659.15	35,805,659.15		35,805,659.15
Reconstruction of sinkage dock pit for repairing and berthing of 150 meters floating dock	22,534,343.88		22,534,343.88	20,047,828.97		20,047,828.97
Adaptability reconstruction project for the extension of the segmented welding workshop in Longxue Factory	22,033,391.24		22,033,391.24	3,365,645.79		3,365,645.79
Adaptability reconstruction project of hull assembly and welding site in Changzhou	16,793,824.14		16,793,824.14	9,340,594.98		9,340,594.98
Project 10	10,691,135.29		10,691,135.29	11,403,997.39		11,403,997.39
Technology reform project 2	9,600,231.08		9,600,231.08	130,093.37		130,093.37
Adaptation project for relocation of 200-ton gantry crane	1,596,455.81		1,596,455.81	24,440,244.27		24,440,244.27
Supplementing and improvement of maritime engineering equipment production facilities in Longxue Factory				45,716,568.89		45,716,568.89
Project 8				21,218,786.30		21,218,786.30
Test device for light cutting gasification system	34,482.76	34,482.76		34,482.76	34,482.76	
Other projects	16,715,571.60		16,715,571.60	16,005,749.12		16,005,749.12
Total	288,271,389.00	34,482.76	288,236,906.24	277,049,817.31	34,482.76	277,015,334.55

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From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

3. Changes in material construction in progress during the period

Item	Budget amount	Beginning balance	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	Ending balance	Proportion of accumulated contribution to the construction budget (%)	Progress of construction	Accumulated capitalised interest	Including: capitalised amount of interest for the period	Rate of capitalisation of interest in the period (%)	Source of funding
Project implementation in advance	298,000,000.00	22,078,025.90	86,265,982.67	7,357,677.66		100,866,330.91	37.55	Under construction				Self-financed
Technology reform project	88,000,000.00	67,482,140.42	33,542,245.17	48,924,422.45		52,079,963.14	100.00	Under construction				Self-financed
Reconstruction of sinkage dock pit for repairing and berthing of 150 meters floating dock	29,800,000.00	20,047,828.97	4,828,107.37	2,341,592.46		22,634,343.88	100.00	Under construction				Self-financed
Adaptive reconstruction project for the extension of the segmented welding workshop in Longxue factory	29,800,000.00	3,365,645.79	18,667,745.45			22,033,391.24	73.94	Under construction				Self-financed
Adaptive reconstruction project of hull assembly and welding site in Changzhou	17,200,000.00	9,340,594.98	7,463,229.16			16,793,824.14	99.68	Under construction				Self-financed
Project 10	26,100,000.00	11,403,897.39	4,814,400.24	5,627,262.34		10,681,135.29	88.93	Under construction				Self-financed
Total		133,688,233.45	155,571,710.06	64,750,954.91		224,519,988.60						

4. Provision for impairment of construction in progress in the period

None.

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(XVII) Right-of-use assets

Item	Land	Buildings and structures	Total
1. Original carrying amount			
(1) Beginning balance	33,250,756.72	293,878,327.95	327,129,084.67
(2) Increase for the period		23,428,489.91	23,428,489.91
– Increase in leases		23,428,489.91	23,428,489.91
(3) Decrease for the period		248,212.35	248,212.35
– Maturity of leases		248,212.35	248,212.35
(4) Ending balance	33,250,756.72	317,058,605.51	350,309,362.23
2. Accumulated depreciation			
(1) Beginning balance	27,048,269.35	116,179,305.05	143,227,574.40
(2) Increase for the period	3,101,243.76	37,113,231.61	40,214,475.37
– Provision made	3,101,243.76	37,113,231.61	40,214,475.37
(3) Decrease for the period		248,212.35	248,212.35
– Maturity of leases		248,212.35	248,212.35
(4) Ending balance	30,149,513.11	153,044,324.31	183,193,837.42
3. Provision for impairment			
(1) Beginning balance			
(2) Increase for the period			
(3) Decrease for the period			
(4) Ending balance			
4. Carrying value			
(1) Carrying value at the end of the period	3,101,243.61	164,014,281.20	167,115,524.81
(2) Carrying value at the beginning of the year	6,202,487.37	177,699,022.90	183,901,510.27

Other explanations: The depreciation of right-of-use assets recognized in the profit or loss during the period is RMB40,214,475.37 (last period: RMB22,857,297.19).

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(Unless otherwise stated, amounts are in RMB)

(XVIII) Intangible assets

1. Breakdown of intangible assets

Item	Land use rights	Software	Others	Total
1. Original carrying amount				
(1) Beginning balance	1,014,357,263.86	138,038,046.05	1,063,675.00	1,153,458,984.91
(2) Increase for the period		5,943,825.93		5,943,825.93
– Purchase		5,943,825.93		5,943,825.93
(3) Decrease for the period				
(4) Ending balance	1,014,357,263.86	143,981,871.98	1,063,675.00	1,159,402,810.84
2. Accumulated amortisation				
(1) Beginning balance	170,927,322.75	71,109,519.09	989,425.00	243,026,266.84
(2) Increase for the period	10,188,418.86	5,599,281.90	74,250.00	15,861,950.76
– Provision made	10,188,418.86	5,599,281.90	74,250.00	15,861,950.76
(3) Decrease for the period				
(4) Ending balance	181,115,741.61	76,708,800.99	1,063,675.00	258,888,217.60
3. Provision for impairment				
(1) Beginning balance				
(2) Increase for the period				
(3) Decrease for the period				
(4) Ending balance				
4. Carrying value				
(1) Carrying value at the end of the period	833,241,522.25	67,273,070.99		900,514,593.24
(2) Carrying value at the beginning of the year	843,429,941.11	66,928,526.96	74,250.00	910,432,718.07

Other explanations:

- (1) There were no intangible assets arising from internal research and development of the Company during the period.
- (2) The amortisation of intangible assets recognised in profit or loss during the period is RMB15,861,950.76 (last period: RMB15,377,614.63).
- (3) Land use rights analysed by region and term

Item	Ending balance	Beginning balance
Within China	833,241,522.25	843,429,941.11
Including: Medium term (10-50 years)	833,241,522.25	843,429,941.11
Total	833,241,522.25	843,429,941.11

2. Intellectual property rights with uncertain service life

None.

3. Single intellectual property rights with significant impact

None.

4. Intellectual property rights with restricted ownership or use right

None.

5. Land use rights without real estate certificates

None.

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(XIX) Research and development expenses

Item	Increase for the period		Decrease for the period		Ending balance	Capitalization start point	Detailed basis for capitalization	Period-end R&D progress
	Internal research	development and expenses	Recognized as intangible assets	Included into current profit or loss				
Research on key technologies of design and construction of a 3,000-ton buoy ship		10,387,762.76		10,387,762.76				
Research on key technologies of design and building of a 3,000 ton maritime police ship		10,178,465.53		10,178,465.53				
Research on key construction technology of 9,500m ³ B-type multi-purpose gas carrier		9,606,691.38		9,606,691.38				
Research on key technologies of design and construction of Shenzhen 3,000-ton marine rights protection and enforcement ship		9,361,048.51		9,361,048.51				
Research on key technologies of design and construction of 32,000-ton multi-purpose heavy lift Ships		8,919,492.40		8,919,492.40				
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership		8,563,513.23		8,563,513.23				
DO research of localized design and building technologies		8,265,750.91		8,265,750.91				
Special test of core equipment for deep-sea resource exploration and research and development of key localized equipment		8,093,716.12		8,093,716.12				
Research on Mingyang floating wind power foundation construction key technology		7,758,568.36		7,758,568.36				
Research on key technologies of design and construction of Evergreen 1,900 TEU vessel		7,661,202.48		7,661,202.48				
Research on key construction technology of deep-water drilling vessels		7,463,307.33		7,463,307.33				
Research on key technologies of design and construction of 5,000m ³ LPG carrier		7,276,471.24		7,276,471.24				
Research, application, and industrialization of intelligent manufacturing technology of steel pipe piles for offshore wind power		7,048,631.82		7,048,631.82				
Research on key technologies for the assembly and construction of gas hydrate drilling and production ship (Ocean Drilling)		6,241,036.60		6,241,036.60				
Research on key technologies of design and construction of intelligent icebreaker 4,000KW rescue ship		6,005,413.07		6,005,413.07				
Research on key technologies for the design and construction of intelligent 85,000-ton bulk carrier		5,858,883.93		5,858,883.93				
Technical research on new high-efficiency welding processes for merchant ships and specialty ships (Phase II)		5,747,323.17		5,747,323.17				
Research on new process technology of underwater acoustic ship		5,716,688.95		5,716,688.95				
Research on key technologies for upgrading and retrofitting of self-elevating wind power platform		5,584,213.34		5,584,213.34				
Research and development of 1,500-ton marine police ship		5,548,995.59		5,548,995.59				
Research on key technology of rapid design and construction of berth		5,367,288.57		5,367,288.57				
Development and demonstration application of deep-sea optical AUV system		4,999,848.30		4,999,848.30				

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Item	Increase for the period		Decrease for the period		Ending balance	Capitalization start point	Detailed basis for capitalization	Period-end R&D progress
	Beginning balance	Internal research and development expenses	Others	Recognized as intangible assets				
Research on the development and construction technology of heavy ships		4,623,810.97						
Research on key technologies of design and construction		4,550,456.49						
Research on key technologies of design and construction of Evergreen 2,300 TEU vessel		4,304,872.98						
Ship advanced manufacturing process tooling research and development		4,024,269.12						
Research on key technologies of design and building of intelligent support mothership		3,948,399.54						
Research on technologies of design and building of two thousand tons self-propelled wind power platform		3,789,897.56						
Research on key technologies and software development and application of domestic 3D CAD for ships		3,676,549.33						
Research on key technologies of design and construction of research and development, design, and construction of 3,000 TEU container vessels		3,580,120.96						
Research on key technologies of design and building of 1,600 TEU		3,405,445.45						
Research on key technologies for the design and construction of 9,500m ³ green and environmentally friendly multi-purpose gas refueling vessel		2,971,134.43						
Research on key technologies of design and construction of 32,000-ton multi-purpose heavy lift ships		2,703,549.27						
Research on key technologies for design and building of Dexiang 1,900 TEU container ship		2,658,281.71						
Research on advanced manufacturing technology for large-scale offshore wind tubing racks		2,453,585.80						
4A research of new process		2,190,832.10						
Technical research on new high-efficiency welding processes for container ships and specialty ships (Phase II)		2,018,096.38						
Industrial Internet Platform edge cloud intelligent collaboration system (Self-financed)		2,012,578.42						
Research on key technologies of deep-sea floating wind power platform and application demonstration		1,670,890.82						
Identification gateway		1,663,594.03						
Key technology research on piling guide frame for offshore wind power generation		1,654,884.55						
Research on design and manufacturing technology of offshore wind turbine construction equipment		1,654,456.79						
Research on efficient welding technology for overseas wind power product manufacturing		1,620,791.07						
Research on key technologies for construction of 400-ton fixed totally rotating crane		1,378,705.95						
Research on construction technology of 100-ton four-link combination jib crane		1,212,347.02						
Research on manufacturing precision control technology for offshore wind turbine structure		1,101,376.39						
Research on key process technologies of domestic boats		1,016,626.90						
Other projects		3,892,738.88						
Total		231,432,606.50						

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(Unless otherwise stated, amounts are in RMB)

(XX) Long-term deferred expenses

Item	Beginning balance	Increase for the period	Amortisation for the period	Other decreases	Ending balance
General tooling	21,186,719.56		3,005,194.86		18,181,524.70
Collective dormitory renovation project	10,172,921.34		581,309.82		9,591,611.52
High span roof restoration project	7,037,330.44		402,133.14		6,635,197.30
Canteen upgrading project	5,237,173.45		293,673.30		4,943,500.15
13-metre beam of shipyard division	4,170,571.82		431,438.46		3,739,133.36
Abandoned cubicles of S08 bidding section of Shenzhen-Zhongshan bridge project		2,212,389.38	110,619.47		2,101,769.91
Remodeling of temporary canteen for submarine force	983,452.82	369,812.97			1,353,265.79
Other projects	795,449.25		86,718.48		708,730.77
Total	49,583,618.68	2,582,202.35	4,911,087.53		47,254,733.50

(XXI) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deductible tax loss	1,624,369,890.50	264,201,405.04	1,615,189,009.29	263,757,656.63
Provision for impairment of assets	178,048,160.85	30,494,010.45	220,343,675.16	39,042,596.41
Estimated liabilities	149,009,322.56	25,379,068.17	138,262,172.20	22,975,868.67
Payroll for retired employees	120,600,000.00	18,159,000.00	120,600,000.00	18,159,000.00
Change in fair value of financial instruments held-for-trading	45,745,255.47	6,861,788.33	5,919,716.73	887,957.51
Change in fair value of investments in other equity instruments	11,308,033.60	1,696,205.04	10,376,142.17	1,556,421.33
Lease liabilities	174,031,812.40	26,068,111.21	190,860,949.20	28,580,003.73
Total	2,303,112,475.38	372,859,588.24	2,301,551,664.75	374,959,504.28

2. Deferred tax liabilities not offset

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Change in fair value of investments in other equity instruments	4,299,874,485.56	1,074,968,621.39	2,002,781,792.30	499,207,621.70
Change in fair value of financial instruments held-for-trading	4,620,167.93	693,025.19	27,565,646.99	4,134,847.04
Right-of-use assets	167,115,524.81	25,033,479.73	183,901,510.27	27,531,263.07
Total	4,471,610,178.30	1,100,695,126.31	2,214,248,949.56	530,873,731.81

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3. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	45,439,762.46	46,617,216.56
Deductible tax loss	731,620,895.96	568,594,230.43
Total	777,060,658.42	615,211,446.99

4. Deductible loss for which no deferred tax assets are recognised will become due in the following years

Year	Ending balance	Beginning balance	Notes
2024	15,135,509.71	21,779,756.87	
2025	38,066,562.84	38,025,777.50	
2026	9,520,782.00	6,900,789.50	
2027	15,826,410.23	15,826,410.23	
2028	21,017,904.36	7,749,888.74	
2029	1,161,902.48	1,161,902.48	
2030	13,334,740.57	13,334,740.57	
2031	211,348,399.56	211,348,399.56	
2032	252,431,781.77	252,466,564.98	
2033	153,776,902.44		
Total	731,620,895.96	568,594,230.43	

(XXII) Other non-current assets

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Relocation expenses to be written off	505,061,550.28		505,061,550.28	518,012,629.44		518,012,629.44
Advances for non-current assets	67,557,353.47		67,557,353.47	53,871,633.43		53,871,633.43
Hedging instrument	150,459,200.91		150,459,200.91	164,488,610.39		164,488,610.39
Total	723,078,104.66		723,078,104.66	736,372,873.26		736,372,873.26

Other explanations: Relocation expenses to be written off represented the assets disposal expense and labour costs incurred as a result of the relocation of plant of Wenchong Shipyard due to the shutdown of some docks, which are transferred to profit or loss when the assets are disposed of and derecognized.

(XXIII) Short-term borrowings

1. Breakdown of short-term borrowings

Item	Ending balance	Beginning balance
Pledged borrowings		
Secured borrowings		
Guaranteed borrowings		100,058,055.56
Credit loans	1,605,943,583.33	2,780,950,083.36
Total	1,605,943,583.33	2,881,008,138.92

2. Outstanding overdue short-term borrowings

None.

3. Weighted average annual interest rate of short-term borrowings

As at the end of the period, the weighted average annual interest rate of short-term borrowings was 2.1432%.

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(XXIV) Financial liabilities held-for-trading

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Financial liabilities held-for-trading Including: Issued trading bonds Financial liabilities designated at fair value through profit or loss	5,919,716.73	37,837,845.37		43,757,562.10
Total	5,919,716.73	37,837,845.37		43,757,562.10

(XXV) Notes payable

Types	Ending balance	Beginning balance
Bank acceptance bills	271,730,469.77	815,586,951.54
Finance company acceptance bills	1,300,279,785.07	1,532,362,702.99
Commercial acceptance bills	140,101,653.25	636,443,247.11
Total	1,712,111,908.09	2,984,392,901.64

Other explanations:

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

Among the above notes payable of the Group as at the end of the period, RMB1,712,111,908.09 had an ageing of less than 180 days, and RMB0 had an ageing of 181-360 days.

(XXVI) Accounts payable

1. Breakdown of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	2,873,281,886.38	3,363,113,360.88
Payment for projects under construction	1,001,937,540.05	103,896,678.80
Retention money	605,710,185.89	607,774,570.24
Other construction and labour services	788,141,014.77	466,660,332.15
Total	5,269,070,627.09	4,541,444,942.07

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

Ageing	Ending balance	Beginning balance
Within one year	3,098,982,554.01	2,898,973,831.53
1-2 years	1,135,344,907.92	722,405,286.28
2-3 years	216,013,212.00	157,953,524.07
Over 3 years	818,729,953.16	762,112,300.19
Total	5,269,070,627.09	4,541,444,942.07

Of which, significant accounts payable aged over one year:

Item	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
Aviation Technology Research Institute of China Aerospace Science and Industry	172,492,600.00	119,058,400.00	Tentative estimation of arrears and deposit
Guangzhou Wenchong Industrial Co., Ltd.	130,912,787.63	113,882,678.95	Tentative estimation of arrears and deposit
Nanjing Keruida Electronic Equipment Co., Ltd.	101,282,774.00	101,273,000.00	Tentative estimation of arrears and deposit
China Shipbuilding Group Co., Ltd. No. 715 Research Institute	89,527,600.00	68,203,100.00	Tentative estimation of arrears and deposit
China Shipbuilding Group Co., Ltd. No. 704 Research Institute	195,496,439.26	68,355,486.00	Tentative estimation of arrears and deposit
China Electronics Technology Group Corporation No. 29 Research Institute	87,660,000.00	56,360,000.00	Tentative estimation of arrears and deposit
CASIC Group No. 3 Research Institute	45,554,600.00	45,554,600.00	Tentative estimation of arrears and deposit
AECC Harbin Dongan Engine Co., Ltd.	43,696,000.00	43,696,000.00	Tentative estimation of arrears and deposit
Guangzhou Ship Industrial Co., Ltd.	58,490,358.47	50,506,117.36	Tentative estimation of arrears and deposit
AECC Shenyang Liming Aero Engine Co., Ltd.	255,079,205.96	33,091,600.00	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
Guangzhou Shipyard International Company Limited	16,859,241.50	16,343,425.69	Tentative estimation of arrears and deposit
CSSC Systems Engineering Research Institute	684,305,995.64	15,571,046.55	Tentative estimation of arrears and deposit
Total	1,918,337,698.71	768,875,550.80	

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(XXVII) Contract liabilities

1. Information on contract liabilities

Item	Ending balance	Beginning balance
Contract liabilities for shipbuilding products	12,010,132,903.55	10,754,664,476.28
Contract liabilities for offshore engineering products	342,629,031.31	515,990,899.69
Contract liabilities for steel structures	71,384,765.42	161,442,885.98
Contract liabilities for ship maintenance and modification	544,927,198.81	489,647,166.73
Contract liabilities for electro-mechanical products and others	59,796,749.39	57,846,875.44
Total	13,028,870,648.48	11,979,592,304.12

Other explanations: The income included in the beginning carrying value of contract liabilities was recognised as RMB2,277,380,142.27 in the period.

2. Amount and reason for significant changes in carrying value during the Reporting Period

Item	Amount of change	Reason for change
Contract liabilities for shipbuilding products	1,255,468,427.27	When revenue is recognized using temporal method, there is a difference between the point of receipt of contract payments in advance and the point of acceptance. When revenue is recognised using time phasing, there is a difference between the progress of collection and the progress of performance.
Contract liabilities for offshore engineering products	-173,361,868.38	
Contract liabilities for steel structures	-90,058,120.56	
Contract liabilities for ship maintenance and modification	55,280,032.08	
Contract liabilities for electro-mechanical products and others	1,949,873.95	
Total	1,049,278,344.36	

(XXVIII) Employee benefits payable

1. Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term remuneration	1,179,807.93	1,270,278,742.73	1,135,108,995.16	136,349,555.50
Post-employment benefits – defined contribution plans		71,692,972.77	71,692,945.52	27.25
Termination benefits		595,063.00	595,063.00	
Total	1,179,807.93	1,342,566,778.50	1,207,397,003.68	136,349,582.75

NOTES TO THE FINANCIAL STATEMENTS

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2. Breakdown of short-term remuneration

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
(1) Salaries, bonuses, allowances and subsidies		416,492,426.70	284,793,133.36	131,699,293.34
(2) Employee benefits		10,778,443.34	8,587,297.45	2,191,145.89
(3) Social insurance contribution		26,549,640.55	26,549,616.02	24.53
Including: Medical and maternity insurance contribution		25,406,552.60	25,406,552.60	
Work-related injury insurance contribution		1,143,087.95	1,143,063.42	24.53
(4) Housing provident fund		45,024,465.00	45,024,465.00	
(5) Labour union & employee education funds	1,179,807.93	9,273,066.07	8,909,694.27	1,543,179.73
(6) Short-term paid leaves				
(7) Short-term benefits sharing scheme				
(8) Outsourcing labour costs and others		762,160,701.07	761,244,789.06	915,912.01
Total	1,179,807.93	1,270,278,742.73	1,135,108,995.16	136,349,555.50

3. Breakdown of defined contribution plans

As required, the Group participates in the social insurance plans established by the government authorities. The Group makes contributions to these plans as required by local governments. The Group has no further payment obligations other than the contributions. The relevant expenses are included in current profit or loss or as the cost of the relevant assets.

The pension, annuity and unemployment plan contributions made by the Group during the period were as follows:

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Basic pension insurance		51,214,187.42	51,214,187.42	
Unemployment insurance contribution		1,813,948.35	1,813,921.10	27.25
Annuity		18,664,837.00	18,664,837.00	
Total		71,692,972.77	71,692,945.52	27.25

Other explanations: The defined benefit plan contributions payable by the Group for the period amounted to RMB71,692,972.77 (last period: RMB67,793,224.89). As at the end of the period, contribution payable of the Group amounting to RMB27.25 (as at the beginning of the year: RMB0) was due and outstanding during the Reporting Period, which had been paid subsequent to the end of the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, amounts are in RMB)

(XXIX) Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	3,165,360.74	44,916,491.22
Enterprise income tax	16,643,960.36	14,495,572.40
Individual income tax	954,966.96	15,534,190.62
City maintenance and construction tax	195,864.18	309,168.07
Property tax	2,183,327.82	571,242.84
Educational surcharge	139,902.99	220,834.36
Land use tax	583,884.47	919.92
Stamp duty	1,654,803.58	658,504.82
Environmental protection tax	904.29	21,380.14
Total	25,522,975.39	76,728,304.39

(XXX) Other payables

Item	Ending balance	Beginning balance
Interest payable		
Dividends payable	14,896,463.86	761,400.08
Other payables	278,406,520.07	272,435,496.51
Total	293,302,983.93	273,196,896.59

1. Dividends payable

Item	Ending balance	Beginning balance
Dividends for ordinary shares	14,896,463.86	761,400.08
Including: Dividends payable for A shares	8,296,741.32	82,389.51
Dividends payable for H shares	6,599,722.54	679,010.57
Total	14,896,463.86	761,400.08

2. Other payables

(1) Other payables by nature

Item	Ending balance	Beginning balance
Deposits received	106,688,759.78	97,392,301.25
Payables for temporary receipts	171,717,760.29	175,043,195.26
Total	278,406,520.07	272,435,496.51

NOTES TO THE FINANCIAL STATEMENTS

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(2) Significant other payables aged over one year

Item	Ending balance	Including: Amount over one year	Reason for unsettlement or carrying forward
Sea Accommodation Resorts Inc	23,382,798.35	23,382,798.35	Deposits received
SEAFX INTERNATIONAL LIMITED	22,537,445.60	22,537,445.60	Deposits received
Administration of Social Insurance Fund of Guangdong Province	55,261,890.68	15,426,370.62	Payables for temporary receipts
Guangzhou Development Zone Treasury Centralized Payment Center	5,397,000.00	4,724,000.00	Accounts received and paid
Guangzhou Municipal Administration for Market Regulation	1,630,951.00	1,330,951.00	Performance deposit
Payment to Dedicated Users of Guangdong Administration for Market Regulation	1,100,000.00	1,100,000.00	Payables for temporary receipts
SMMC Marine Drive Systems (Suzhou) Co., Ltd.	1,080,000.00	1,080,000.00	Payables for temporary receipts
Human Resources and Social Security Bureau of Huangpu District, Guangzhou	2,458,074.67	1,058,074.67	Payables for temporary receipts
Total	112,848,160.30	70,639,640.24	

(XXXI) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	1,051,399,140.00	1,382,939,827.78
Lease liabilities due within one year	69,106,335.10	76,275,564.64
Total	1,120,505,475.10	1,459,215,392.42

(XXXII) Other current liabilities

Item	Ending balance	Beginning balance
Supply chain notes that are not derecognised at the end of the period	20,350,183.38	47,770,567.42
Output value-added tax payable	57,039,089.95	42,125,129.12
Notes receivable endorsed but not expired or derecognised at the end of the period		36,075,017.85
Advances from customers for shipbuilding orders cancelled	17,700,944.37	17,700,944.37
Factoring business that is not derecognised	15,000,000.00	15,000,000.00
Total	110,090,217.70	158,671,658.76

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, amounts are in RMB)

(XXXIII) Long-term borrowings

Classification of long-term borrowings:

Item	Ending balance	Beginning balance
Credit loans	2,777,215,140.00	3,613,187,337.78
Total	2,777,215,140.00	3,613,187,337.78
The carrying amount of the above borrowings shall be repaid:		
Within one year	1,051,399,140.00	1,382,939,827.78
Over one year but less than two years after balance sheet date	410,000,000.00	1,000,824,266.67
Over two years but less than five years after balance sheet date	100,000,000.00	
Over five years after balance sheet date	1,215,816,000.00	1,229,423,243.33
Less: Amount due within one year, as shown under current liabilities	1,051,399,140.00	1,382,939,827.78
Amount shown under non-current liabilities	1,725,816,000.00	2,230,247,510.00

Other explanations:

Details of guarantee: As at the end of the period, there was no guaranteed borrowings.

Details of interest rates: Long-term borrowing interest rates mainly fluctuate in the range of 1.08-3.60%. As at the end of the period, weighted average annual interest rate of long-term borrowings was 2.1814%.

(XXXIV) Lease liabilities

Item	Ending balance	Beginning balance
Lease payment amount	186,621,268.63	205,142,269.14
Less: Unrecognized financing cost	12,589,456.23	14,281,319.94
Less: Lease liability due within one year	69,106,335.10	76,275,564.64
Total	104,925,477.30	114,585,384.56

(XXXV) Long-term employee benefits payable

1. Breakdown of long-term employee benefits payable

Item	Ending balance	Beginning balance
I. Post-employment benefits – net liabilities for defined benefit plans	111,396,017.40	120,600,000.00
II. Dismissal benefits		
III. Other long-term benefits	8,453,243.73	8,474,455.73
IV. Financial assistance for property purchase		
Total	119,849,261.13	129,074,455.73

Other explanations: The defined benefit plans as at the end of the period represent the expenses of “three kinds of persons” (being resigned, retired and retreated employees) recognised by Huangpu Wenchong, Wenchong Shipyard, Huangchuan Ocean Engineering and Wenchuan Heavy Industrial in accordance with the relevant requirements of the State-owned Assets Supervision and Administration Commission.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

2. Changes in defined benefit plans

(1) Present value of obligations under defined benefit plans

Item	Amount for the period	Amount for last period
1. Beginning balance	120,600,000.00	143,437,341.45
2. Cost of defined benefits included in profit or loss for the period	1,773,400.00	2,334,134.70
(1) Service cost for current period		9,111.18
(2) Service cost for previous year		
(3) Gains on settlement (Loss expressed with "-")		
(4) Net interest	1,773,400.00	2,325,023.52
3. Cost of defined benefits included in other comprehensive income		
(1) Gains on settlement (Loss expressed with "-")		
4. Other changes	-10,977,382.60	-10,990,093.18
(1) Consideration paid upon settlement		-171,079.84
(2) Benefits paid	-10,977,382.60	-10,819,013.34
5. Ending balance	111,396,017.40	134,781,382.97

(2) Net liabilities (net assets) under defined benefit plans

Item	Amount for the period	Amount for last period
1. Beginning balance	120,600,000.00	143,437,341.45
2. Cost of defined benefits included in profit or loss for the period	1,773,400.00	2,334,134.70
3. Cost of defined benefits included in other comprehensive income		
4. Other changes	-10,977,382.60	-10,990,093.18
5. Ending balance	111,396,017.40	134,781,382.97

3. Post-employment actuarial assumptions and sensitivity analysis

(1) The actuarial evaluation report was issued by Towers Watson Management Consulting (Shenzhen) Co. Ltd. on 2 February 2023. Actuary: Wu Haichuan, a member of Society of Actuaries, an Actuary of China, and a Chartered Enterprise Risk Analyst.

(2) Actuarial calculation method: projected unit credit method

(3) Actuarial assumption

Discount rate: 2.75%, by reference to the China Treasury Bond yield rate.

Mortality rate: China insurance experience lifespan statement (2010-2013) – Elderly care business statement for men/women

The annual growth rate of complementary medical benefits of existing departing staff and existing retirees: 6.50%

The annual growth rate in cost of living of existing internal retirees: 4.50%

The annual growth rate in social insurance fees and housing provident funds of existing internal retirees: 4.50%.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(4) Sensitivity analysis of actuarial assumption

Sensitivity analysis of discount rate	Change in present value of determining the obligation of beneficiary plan (RMB ten thousand)
Increase by 0.25 percentage point	-216
Decrease by 0.25 percentage point	225

(XXXVI) Estimated liabilities

Item	Ending balance	Beginning balance
Product quality warranty	148,889,877.24	136,631,165.79
Pending onerous contract	119,445.32	119,445.32
Total	149,009,322.56	136,750,611.11

Other explanations: For businesses such as ship and offshore engineering construction, supporting facilities and ships trading, product warranty charges shall be accrued based on the contract and expected amount to be incurred upon completion and delivery, and shall be included in selling expenses and estimated liabilities. If there is an agreement on the amount or provision ratio of warranty charges in the contract, the provision shall be made according to the contract; if there is no agreement in the contract, the provision is generally based on 0.5% -1% of the contract revenue, with the provision ratio for special orders such as lead ships being 0.5% -1.5%.

(XXXVII) Deferred income

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Government grants	87,673,373.52	17,710,281.10	32,805,494.01	72,578,160.61
Total	87,673,373.52	17,710,281.10	32,805,494.01	72,578,160.61

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Items of liability	Beginning balance	New grants received during the period	Amount included in non-operating income for the period	Amount included in other income for the period	Other changes	Ending balance	Relating to assets/relating to revenue
Projects with government grants:							
Research on key technologies for the assembly and construction of gas hydrate drilling and production ship (Ocean Drilling)	24,348,000.00	660,000.00		5,000,000.00		20,028,000.00	Relating to revenue
DQ research of localized design and building technologies	18,790,000.00			8,000,000.00		10,790,000.00	Relating to revenue
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership	14,785,000.00			2,000,000.00	-2,127,500.00	10,657,500.00	Relating to revenue
Special test of core equipment for deep-sea resource exploration and research and development of key localized equipment		11,050,000.00			-1,650,000.00	9,400,000.00	Relating to revenue
Research on key technology and research and manufacture of equipments of 16MM offshore wind turbine	5,334,550.86			349,973.15		4,984,577.71	Relating to revenue
Separation and transfer of water, power and gas supply and property management business	3,558,540.06		910,064.94			2,648,475.12	Relating to revenue
Large-scale JYJC research and production critical information infrastructure security controllable application demonstration project	2,360,000.00					2,360,000.00	Relating to revenue
Research on integrated application technologies of intelligent logistics and fine art delivery unit in shipbuilding process	1,500,000.00					1,500,000.00	Relating to revenue
Research on key technologies of deep-sea floating wind power platform and application demonstration		1,500,000.00		186,187.99		1,313,812.01	Relating to revenue
Industrial Internet Platform edge cloud intelligent collaboration system	1,200,000.00	1,200,000.00				1,200,000.00	Relating to revenue
Identification gateway research project	15,797,282.60	3,280,281.10		12,581,767.93		6,495,795.77	Relating to revenue
Other projects							
Total	87,673,373.52	17,710,281.10	910,064.94	28,117,929.07	-3,777,500.00	72,578,160.61	

Other explanations: Other changes represent transfers to participating units.

NOTES TO THE FINANCIAL STATEMENTS

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(XXXVIII) Other non-current liabilities

Item	Ending balance	Beginning balance
Hedged item	132,462,293.42	166,058,913.54
Total	132,462,293.42	166,058,913.54

(XXXIX) Share capital

Changes in the authorised, issued and paid-up share capital of the Company are as follows:

Current period

Item	Beginning balance		Increase or decrease (+, -) during the period					Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction:									
Ordinary shares denominated in RMB	821,435,181.00	58.11						821,435,181.00	58.11
Overseas listed foreign shares	592,071,197.00	41.89						592,071,197.00	41.89
Shares subject to selling restriction:									
Ordinary shares denominated in RMB									
Shares held by foreign investors									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Last period

Item	Beginning balance		Increase or decrease (+, -) during the period					Ending balance	
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Sub-total	Amount	Percentage (%)
Shares not subject to selling restriction:									
Ordinary shares denominated in RMB	821,435,181.00	58.11						821,435,181.00	58.11
Overseas listed foreign shares	592,071,197.00	41.89						592,071,197.00	41.89
Shares subject to selling restriction:									
Ordinary shares denominated in RMB									
Shares held by foreign investors									
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Other explanations: All the shares in the Company are ordinary shares with nominal value of RMB 1 each.

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(XL) Capital reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share premium	9,308,196,115.28		374,293,704.76	8,933,902,410.52
Other capital reserve	49,524,714.42			49,524,714.42
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	9,375,981,708.49		374,293,704.76	9,001,688,003.73

Other explanations: The decrease in capital reserves during the period was due to other changes in owners' equity of associates recognized according to their shareholding ratio, besides net profit or loss, other comprehensive income and profit distribution.

Last period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share premium	9,308,196,115.28			9,308,196,115.28
Other capital reserve	67,095,324.30	628.21		67,095,952.51
Capital reserves transferred from the original system	18,260,878.79			18,260,878.79
Total	9,393,552,318.37	628.21		9,393,552,946.58

Other notes: The increase in other capital reserves in the previous period was due to changes in the capital reserves and special reserves of associates recognized according to their shareholding ratio.

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(Unless otherwise stated, amounts are in RMB)

(XLI) Other comprehensive income Current period

Item	Amount for the period						Ending balance
	Beginning balance	Amount for the period before income tax	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Amount attributable to the parent company after tax	Amount attributable to non-controlling interest after tax	
1. Other comprehensive income that may not be subsequently reclassified to profit and loss Including: Change in remeasurement of defined benefit plans Other comprehensive income that cannot be transferred to profit or loss under the equity method Change in fair value of investments in other equity instruments	1,450,972,215.57 -67,382,471.26	2,310,524,279.64	10,574,743.69	578,841,888.22	1,722,139,350.14	-1,031,682.41	3,173,111,565.71
2. Other comprehensive income that will be subsequently reclassified to profit or loss Including: Exchange differences arising from translation of foreign currency financial statements	3,164,245.90 1,515,190,440.93 -417,370.41	-26,522.19 2,310,550,801.83 2,779,331.21	10,574,743.69	578,841,888.22	1,722,165,872.33 1,504,922.24	-1,031,682.41 1,274,408.97	3,137,723.71 3,237,356,313.26 1,087,551.83
Total other comprehensive income	1,450,554,845.16	2,313,303,610.85	10,574,743.69	578,841,888.22	1,723,644,272.38	242,726.56	3,174,199,117.54

Last period

Item	Amount for the period						Ending balance
	Beginning balance	Amount incurred for the period before income tax	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Amount attributable to the parent company after tax	Amount attributable to non-controlling interest after tax	
1. Other comprehensive income that may not be subsequently reclassified to profit and loss Including: Change in remeasurement of defined benefit plans Other comprehensive income that may not be reclassified to profit or loss under equity method Change in fair value of investments in other equity instruments	1,867,264,923.58 -67,101,055.24	-1,281,902,392.88	-318,627,255.89	-696,694.28	-566,278,232.71	-6,996,694.28	910,966,690.87
2. Other comprehensive income that will be subsequently reclassified to profit or loss Including: Exchange differences arising from translation of foreign currency financial statements	-278,660.34 1,934,644,639.16 -3,512,411.02	786,425.81 -1,282,669,818.69 2,671,901.34	140,573.05	318,767,888.94	645,852.76 -956,924,085.47 1,442,615.79	-6,996,694.28 1,229,285.55	-67,101,055.24 387,192.42 977,720,553.69
Total other comprehensive income	1,863,752,512.56	-1,279,230,491.54	-318,627,255.89	-5,767,578.73	-954,835,616.92	-5,767,578.73	908,916,895.64

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(XLII) Special reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Production safety fee		12,007,669.23	12,007,669.23	
Total		12,007,669.23	12,007,669.23	

Last period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Production safety fee		24,059,691.07	24,059,691.07	
Total		24,059,691.07	24,059,691.07	

(XLIII) Surplus reserve

Current period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	1,091,725,649.11			1,091,725,649.11
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	1,111,646,419.34			1,111,646,419.34

Last period

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	1,022,477,728.60			1,022,477,728.60
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	1,042,398,498.83			1,042,398,498.83

(XLIV) Retained earnings

Item	Current period	Last period
Retained earnings as at the end of last year before adjustment	2,236,341,205.82	1,811,537,356.69
Total year-beginning adjustment to undistributed profit (increase +, decrease -)	572,135.41	503,151.96
Retained earnings as at the beginning of the year after adjustment	2,236,913,341.23	1,812,040,508.65
Add: Net profit attributable to owners of the Company for the period	12,665,284.90	18,928,805.72
Add: Transfer from other comprehensive income to retained earnings	10,574,743.69	
Less: Statutory surplus reserve set aside		
Dividends payable on ordinary shares	14,135,063.78	195,063,880.16
Retained earnings as at the end of the period	2,246,018,306.04	1,635,905,434.21

Other explanations: The retained earnings carried forward from other comprehensive income in the current period represented an internal carry-forward of the owners' equity from disposal of equity of CSSC Finance Company Limited by Wenchong Shipyard.

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(XLV) Non-controlling interests

Name of subsidiary	Non-controlling interest shareholding percentage (%)	Ending balance	Beginning balance
Huangpu Wenchong	45.46	3,159,729,122.72	3,153,415,427.53
Zhanjiang Nanhai	40.00	3,141,892.24	2,906,951.26
Wenchong Bingshen	40.00	2,600,645.88	2,372,234.30
Wah Shun	1.00	34,750.77	34,097.51
Wah Loong	1.00	632,365.45	556,911.50
Xingji	62.50	2,625,678.55	3,248,422.85
CSSC New Energy	38.12	413,365.22	419,550.71
Guangxi Heavy Industrial	28.60	-244,371.08	196,316.66
Total		3,168,933,449.75	3,163,149,912.32

(XLVI) Net current assets

Item	Ending balance	Beginning balance
Current assets	24,406,899,173.92	25,845,135,974.86
Less: Current liabilities	23,345,525,563.96	24,361,350,063.57
Net current assets	1,061,373,609.96	1,483,785,911.29

(XLVII) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	46,866,852,879.69	46,508,366,648.38
Less: Current liabilities	23,345,525,563.96	24,361,350,063.57
Total assets less current liabilities	23,521,327,315.73	22,147,016,584.81

(XLVIII) Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	1,605,943,583.33	2,881,008,138.92
Non-current liabilities due within one year	1,051,399,140.00	1,382,939,827.78
Long-term borrowings	1,725,816,000.00	2,230,247,510.00
Total	4,383,158,723.33	6,494,195,476.70

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1. Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowings		
– Bank borrowings repayable within 5 years	3,157,342,723.33	4,959,601,400.03
– Bank borrowings repayable after 5 years	1,215,816,000.00	1,229,423,243.33
Other borrowings		
– Other borrowings repayable within 5 years	10,000,000.00	305,170,833.34
– Other borrowings repayable after 5 years		
Total	4,383,158,723.33	6,494,195,476.70

2. Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
Repay on demand or within one year	2,657,342,723.33	4,263,947,966.70
1-2 years	410,000,000.00	1,000,824,266.67
2-5 years	100,000,000.00	
Over 5 years	1,215,816,000.00	1,229,423,243.33
Total	4,383,158,723.33	6,494,195,476.70

(II) Operating income and operating costs

1. Information on operating income and operating cost

Item	Amount for the period		Amount for last period	
	Income	Costs	Income	Costs
Principal business	5,888,197,544.33	5,548,295,677.31	4,160,766,950.01	3,898,470,735.17
Other businesses	94,136,258.71	63,216,995.57	110,435,550.98	79,177,579.78
Total	5,982,333,803.04	5,611,512,672.88	4,271,202,500.99	3,977,648,314.95

Gross profit

Item	Amount for the period	Amount for last period
Income from principal business	5,888,197,544.33	4,160,766,950.01
Costs of principal business	5,548,295,677.31	3,898,470,735.17
Gross profit	339,901,867.02	262,296,214.84

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, amounts are in RMB)

(1) *Principal business – by product*

Product name	Amount for the period	Amount for last period
Income from principal business		
Ship products	5,032,450,154.82	2,589,378,267.07
Including:		
Bulk carriers	356,868,397.67	344,416,556.28
Containerships	1,311,076,285.87	531,870,908.65
Special ships and others	3,364,505,471.28	1,713,090,802.14
Offshore engineering products	175,170,012.40	84,928,937.95
Steel structures	492,129,000.55	775,090,667.39
Ship maintenance and modification	100,878,302.08	647,574,516.39
Electro-mechanical products and others	87,570,074.48	63,794,561.21
Total	5,888,197,544.33	4,160,766,950.01
Costs of principal business		
Ship products	4,769,847,529.02	2,448,124,903.74
Including:		
Bulk carriers	362,110,625.42	342,915,184.61
Containerships	1,211,034,326.59	498,583,945.74
Special ships and others	3,196,702,577.01	1,606,625,773.39
Offshore engineering products	176,271,142.69	-14,503,235.64
Steel structures	445,094,571.76	747,235,316.31
Ship maintenance and modification	90,340,127.34	659,777,279.77
Electro-mechanical products and others	66,742,306.50	57,836,470.99
Total	5,548,295,677.31	3,898,470,735.17

(2) *Principal business – by region*

Region	Amount for the period	Amount for last period
Income from principal business		
China (including Hong Kong, Macau and Taiwan)	4,570,911,087.37	3,986,055,902.55
Other regions in Asia	43,318,669.07	9,000,889.61
Europe	354,316,668.84	
North America	343,770,570.21	165,710,157.85
Africa	575,880,548.84	
Total	5,888,197,544.33	4,160,766,950.01
Costs of principal business		
China (including Hong Kong, Macau and Taiwan)	4,253,846,473.57	3,723,880,122.43
Other regions in Asia	25,962,587.12	8,407,148.77
Europe	353,820,697.86	
North America	344,592,783.01	166,183,463.97
Africa	570,073,135.75	
Total	5,548,295,677.31	3,898,470,735.17

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

(Unless otherwise stated, amounts are in RMB)

(3) *Income from and costs of other business*

Item	Amount for the period	Amount for last period
Income from other business		
Sale of materials	65,386,047.48	68,830,497.53
Leasing	24,921,411.85	35,351,116.47
Provision of energy	738,135.56	2,951,762.30
Others	3,090,663.82	3,302,174.68
Total	94,136,258.71	110,435,550.98
Costs of other business		
Sale of materials	47,964,098.58	57,957,973.28
Leasing	10,193,335.83	19,006,524.15
Provision of energy	4,042,516.19	2,576,359.72
Others	1,017,044.97	-363,277.37
Total	63,216,995.57	79,177,579.78

2. *Deductions of operating income*

Item	Amount for current period	Specific deductions	Amount for last period	Specific deductions
Amount of operating income	5,982,333,803.04		4,271,202,500.99	
Total amount of deductions	94,136,258.71		110,435,550.98	
Proportion of total amount of deductions in operating income (%)	1.57		2.59	
I. Business income not related to the principal operations				
Income from operations other than daily operations	94,136,258.71	Sales of materials, rental income, etc.	110,435,550.98	Sales of materials, rental income, etc.
Subtotal of business income not related to the principal operations	94,136,258.71		110,435,550.98	
II. Commercially non-substantial income				
Subtotal of commercially non-substantial income				
III. Other income not related to the principal operations or without commercial substance				
Amount of operating income after deductions	5,888,197,544.33		4,160,766,950.01	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

3. Information on revenue from contracts

The breakdown of revenue for the period is as follows:

Breakdown of contracts	Shipbuilding and related business segment	Steel structure business segment	Ship maintenance and related business segment	Other segments	Total
Product type:					
Ship products	5,032,450,154.82				5,032,450,154.82
Offshore engineering products	175,170,012.40				175,170,012.40
Steel structure		492,129,000.55			492,129,000.55
Ship maintenance and modification			100,878,302.08		100,878,302.08
Electromechanical products and others				87,570,074.48	87,570,074.48
Other business				94,136,258.71	94,136,258.71
Total	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04
Region of operation:					
Domestic	3,953,015,797.91	492,129,000.55	81,514,883.50	138,005,613.62	4,664,665,295.58
Overseas	1,254,604,369.31		19,363,418.58	43,700,719.57	1,317,668,507.46
Total	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04
Type of market or customer:					
State-owned enterprises	3,082,527,682.84	491,470,939.52	56,907,605.44	91,149,627.90	3,722,055,855.70
Private enterprises	355,070,185.84	658,061.03	4,756,419.19	34,414,472.58	394,899,138.64
Foreign enterprises	1,770,022,298.54		39,214,277.45	56,142,232.71	1,865,378,808.70
Total	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04
Type of contracts:					
Fixed price	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04
Cost plus					
Total	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04
Date of transfer of goods:					
Recognised within a period of time	2,888,042,293.86	449,697,560.43	3,337,739,854.29		6,665,480,708.58
Recognised at a point in time	2,319,577,873.36	42,431,440.12	100,878,302.08	181,706,333.19	2,644,593,948.75
Total	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04
By contract term:					
Short-term	2,319,577,873.36	42,431,440.12	100,878,302.08	181,706,333.19	2,644,593,948.75
Long-term	2,888,042,293.86	449,697,560.43			3,337,739,854.29
Total	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04
By sales channel:					
Direct sales	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04
Sale through distributors					
Total	5,207,620,167.22	492,129,000.55	100,878,302.08	181,706,333.19	5,982,333,803.04

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From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

4. 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 obligation substantially corresponds to the ship completion progress, mainly includes those for construction commencement, closure, docking, launch, trial sailing and delivery. The time and proportion of progress payment are set out in the contracts between the Group and its customers, and the parties perform the relevant obligations in accordance with the terms of the contracts. In case of any default or failure by any party to timely perform a contract, the Group is required to return the advance payment from the customer and contract assets which have been generated if it is the Group's default, and the Group has the right to request the customer to continue to perform the contract or compensate the Group for the cost and profit for contract performance if it is the customer's default. The warranty period of a contract is generally one year. The Group is required to provide repair services free of charge for any defects arising from unintentional reason, navigation risk and natural damages.

5. Transaction price of allocation to remaining contract performance obligations

As of 30 June 2023, the amount of transaction prices corresponding to the contract performance obligations for which contracts had been entered into and which had not been performed or fully performed was RMB18,453,060,700, of which RMB6,730,502,800 is expected to be recognised as revenue in 2023; RMB7,327,339,900 is expected to be recognised as revenue in 2024.

6. Top five customers in operating income

Customers	Relationship with the Group	Amount for the period	Percentage of total income from principal business (%)
Customer 1	Unrelated party	2,429,171,026.09	41.25
Customer 2	Unrelated party	356,868,397.67	6.06
Customer 3	Unrelated party	355,070,185.84	6.03
Customer 4	Unrelated party	195,102,218.77	3.31
Customer 5	Unrelated party	194,959,583.26	3.31
Total		3,531,171,411.63	59.96

7. Purchase amounts from top five suppliers

Suppliers	Relationship with the Group	Amount for the period	Percentage of total costs of principal business (%)
Supplier 1	Under common control of China Shipbuilding Group	2,695,885,868.95	48.59
Supplier 2	Unrelated party	302,061,357.96	5.44
Supplier 3	Unrelated party	160,302,600.00	2.89
Supplier 4	Unrelated party	106,521,482.24	1.92
Supplier 5	Unrelated party	45,230,932.89	0.82
Total		3,310,002,242.04	59.66

(L) Taxes and surcharges

Item	Amount for the period	Amount for last period
Urban maintenance and construction tax	1,060,277.50	821,411.31
Educational surcharge	761,650.99	596,817.55
Property tax	2,797,482.90	2,459,619.91
Land use tax	584,804.39	579,547.47
Stamp duty	3,223,740.13	6,067,840.61
Vehicle usage tax	50,781.64	48,726.20
Environmental protection tax	2,777.58	16,374.15
Total	8,481,515.13	10,590,337.20

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(LI) Selling expenses

Item	Amount for the period	Amount for last period
Product quality warranty	30,933,448.31	26,518,642.03
Employee benefits	10,587,834.39	10,360,537.24
Business expenditure	428,352.64	405,495.58
Exhibition fee	37,392.45	
Travelling expense	813,550.38	316,794.96
Advertising publicity fee	136,532.35	189,877.37
Depreciation charge	62,527.35	39,657.81
Others	610,695.38	279,351.06
Total	43,610,333.25	38,110,356.05

(LII) Administrative expenses

Item	Amount for the period	Amount for last period
Employee benefits	154,739,897.61	134,656,557.61
Repairing expenses	31,327,089.53	31,940,854.35
Insurance premium	22,404,701.07	304,479.25
Depreciation charge	13,837,630.33	10,835,777.10
Amortization of intangible assets	13,430,791.01	13,100,647.72
Business entertainment fee	10,411,446.50	991,810.12
Lease expense	8,632,450.80	8,174,301.66
Travelling expense	1,676,888.18	614,459.54
Boarding meeting fee	1,459,421.36	861,248.49
Security, firefighting and safety activity fee	988,424.70	887,394.90
Environmental protection and drainage fee	964,049.18	740,456.04
Consulting fee	705,277.73	96,710.81
Office expenses	520,092.31	547,782.04
Intermediary fee	490,832.75	176,049.46
Litigation fees	303,045.74	
Logistics service fee	190,988.17	164,050.74
Warehouse fee		825,101.56
Others	11,757,752.18	40,574,164.84
Total	273,840,779.15	245,491,846.23

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, amounts are in RMB)

(LIII) Research and development expenses

Item	Amount for the period	Amount for last period
Material fee	87,805,103.71	122,620,229.70
Wages and labor costs	85,043,528.39	51,304,905.34
Design fee	16,802,050.96	14,775,855.72
Project management fee	11,584,992.61	441,551.91
Outsourcing fee	10,377,543.95	19,299,615.65
Fixed assets usage fee	8,901,857.06	8,630,281.95
Dedicated fee	4,389,991.09	1,685,261.31
Fuel power fee	3,828,765.45	189,604.71
Travelling expense	1,116,872.30	805,869.69
Service fee	307,426.23	150,381.42
Conference fee	214,881.56	101,360.07
Test fee	207,547.16	
Expert consultation fee	116,275.00	90,580.00
Others	735,771.03	996,888.70
Total	231,432,606.50	221,092,386.17

(LIV) Finance cost

1. Breakdown of finance costs

Item	Amount for the period	Amount for last period
Interest expense	60,050,142.80	70,720,155.93
Including: Interest expenses for lease liabilities	8,446,913.38	7,572,609.81
Less: Interest income	202,806,848.14	230,567,348.75
Exchange gains or losses	-89,495,298.86	-92,419,423.85
Other expenses	4,597,470.04	21,664,527.00
Total	-227,654,534.16	-230,602,089.67

2. Breakdown of interest expenses

Item	Amount for the period	Amount for last period
Interest on bank borrowings and overdraft	58,983,167.73	70,756,457.48
Interest on bank borrowings due within 5 years	58,983,167.73	70,756,457.48
Interest on bank borrowings due over 5 years		
Other borrowings	6,156,975.07	5,263,698.45
Interest on other borrowings due within 5 years		
Other interest expenses	6,156,975.07	5,263,698.45
Sub-total	65,140,142.80	76,020,155.93
Less: Interest capitalised		
Less: Finance interest discount	5,090,000.00	5,300,000.00
Total	60,050,142.80	70,720,155.93

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

3. Breakdown of interest income

Item	Amount for the period	Amount for last period
Interest income from bank deposits	186,278,953.04	194,597,084.67
Interest income from receivables	16,527,895.10	35,970,264.08
Total	202,806,848.14	230,567,348.75

(LV) Other income

Item	Amount for the period	Amount for last period
Government grants	45,837,090.02	26,649,095.31
Input tax deduction	1,686.34	5,237.42
Handling fees for withholding individual income tax	463,732.81	263,802.99
Total	46,302,509.17	26,918,135.72

Government grants included in other income

Item	Amount for the period	Amount for last period	Relating to assets/relating to revenue
Promote the realization of supporting policies for the development of science and technology innovation industry	9,901,300.00		Relating to revenue
Research on key technologies of design and construction of deep-water drilling vessels	9,900,000.00	5,000,000.00	Relating to revenue
DQ research of localized design and building technologies	8,000,000.00	5,000,000.00	Relating to revenue
Research on key technologies for the assembly and construction of gas hydrate drilling and production ship (Ocean Drilling)	5,000,000.00		Relating to revenue
Grant for insurance maintained for first piece (set)	3,000,000.00		Relating to revenue
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership	2,000,000.00		Relating to revenue
Employment subsidies	1,489,866.58	3,271,727.01	Relating to revenue
Research on key technologies of solar and wind powered unmanned ships	1,100,000.00		Relating to revenue
Interest subsidies of policy materialization	1,000,000.00		Relating to revenue
Skills upgrading training subsidies	511,200.00		Relating to revenue
High enterprise incubation topic subsidies	500,000.00		Relating to revenue
Scientific research subsidy for development and application demonstration of floating offshore wind power equipment	370,420.59	1,334,119.81	Relating to revenue
Research of common key processes and technologies for smart manufacturing of ships		3,000,000.00	Relating to revenue
Social security one-time job retention training subsidies		1,936,334.88	Relating to revenue
Research on collaborative innovation of composite grinding components for high-end equipment		1,480,000.00	Relating to revenue
Maintenance fee		960,000.00	Relating to revenue
Research, application, and industrialization of intelligent manufacturing technology of steel pipe piles for offshore wind power		822,062.19	Relating to revenue
Business Development Fund for Trade Services		789,100.00	Relating to revenue
Special funds for promoting high-quality economic development		770,000.00	Relating to revenue
Central service trade fund		450,000.00	Relating to revenue
Online on-job skills training		408,512.50	Relating to revenue
Special fund for Guangzhou business development		399,215.97	Relating to revenue
Others	3,064,302.85	1,297,063.36	
Total	45,837,090.02	26,918,135.72	

Other explanations: Government grants from other income included in non-recurring gains and losses amounted to RMB42,837,090.02 during the period. Please refer to Note XVII (1) for the reason why the government grants were included in the recurring gains and losses.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(LVI) Investment income

Item	Amount for the period	Amount for last period
Gain from long-term equity investments accounted under equity method	-5,456,775.66	-10,869,117.41
Investment income from disposal of long-term equity investments	-16,581,010.17	-13,654,653.76
Investment income from disposal of financial assets held-for-trading	1,749,854.25	192,641.21
Dividend income received during the period of holding investments in other equity instruments		
Total	-20,287,931.58	-24,331,129.96

Other explanations: Investment income from investment in listed companies and non-listed companies for the period amounted to RMB1,607,885.15 (last period: RMB0) and RMB-21,895,816.73 (last period: RMB-24,331,129.96), respectively.

(LVII) Gain on change in fair value

Source of gain on change in fair value	Amount for the period	Amount for last period
Financial assets held-for-trading	-5,855,719.61	17,336,152.70
Financial liabilities held-for-trading	-39,014,254.44	
Hedging	1,635,137.11	
Total	-43,234,836.94	17,336,152.70

(LVIII) Credit impairment loss

Item	Amount for the period	Amount for last period
Loss on bad debts of accounts receivable	-10,300,919.65	23,882,692.12
Impairment loss on receivables financing	44,927.81	-16,313.48
Loss on bad debts of other receivables	-251,618.21	278,869.68
Loss on bad debts of long-term receivables	3,983,692.47	
Total	-6,523,917.58	24,145,248.32

Other explanations: A negative amount for each credit impairment loss represents provision for the period and a positive amount represents reversal during current period.

(LIX) Loss on impairment of assets

Item	Amount for the period	Amount for last period
Loss on impairment of inventories	-4,457,594.94	-25,904,928.57
Total	-4,457,594.94	-25,904,928.57

Other explanations: A negative amount for each loss on impairment of assets represents provision for the period and a positive amount represents reversal during current period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(LX) Non-operating income

Item	Amount for the period	Amount for last period	Amount included in non-recurring gains and losses for the period
Gain on disposal of non-current asset	177,694.92	232,191.56	177,694.92
Including: Gain on retirement of damaged fixed assets	177,694.92	232,191.56	177,694.92
Government grants not related to day-to-day corporate activities	910,064.94	910,064.94	910,064.94
Penalty income	90,100.00	214,529.00	90,100.00
Insurance claims payment	630,000.00	585,573.91	630,000.00
Others	17,205.69	74,177.60	17,205.69
Total	1,825,065.55	2,016,537.01	1,825,065.55

Other explanations: The amount included in non-recurring gains and losses for the period was RMB1,825,065.55 (last period: RMB2,016,537.01).

Government grants included in non-operating income

Item	Amount for the period	Amount for last period	Relating to assets/relating to revenue
Subsidy for separation and transfer of water, power and gas supply and property management business	910,064.94	910,064.94	Relating to revenue
Total	910,064.94	910,064.94	

Other explanations: Non-operating income for the period included profit from disposal of properties of RMB0 (last period: RMB0).

(LXI) Non-operating expenses

Item	Amount for the period	Amount for last period	Amount included in non-recurring gains and losses for the period
Losses on disposal of non-current assets	899,923.00	712,882.16	899,923.00
Including: Loss on retirement of damaged fixed assets	899,923.00	712,882.16	899,923.00
Penalty and overdue fine	398,044.14		398,044.14
Total	1,297,967.14	712,882.16	1,297,967.14

Other explanations: The amount included in non-recurring gains and losses for the period was RMB1,297,967.14 (last period: RMB712,882.16).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(LXII) Income tax expense

1. Breakdown of income tax expense

Item	Amount for the period	Amount for last period
Current income tax expense	-1,070,433.50	39,442.00
(1) Mainland China	-1,070,433.50	39,442.00
(2) Hong Kong		
Deferred income tax expense	-3,699,905.44	-139,450.09
Total	-4,770,338.94	-100,008.09

2. Reconciliation of accounting profit and income tax expenses

Item	Amount for the period
Total profit	13,435,756.83
Income tax expenses calculated at statutory/applicable tax rate	3,358,939.21
Impact of different tax rates for subsidiaries	-399,095.15
Impact of adjustment for income tax for previous period	-2,956,863.27
Impact of non-taxable income	4,780,983.66
Impact of non-deductible costs, expenses and losses	579,927.34
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-612,433.10
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	25,224,077.26
Additional deduction of research and development expense	-34,745,874.89
Income tax expense	-4,770,338.94

(LXIII) Audit fees and auditors

The audit fees charged for 2023 are RMB1.54 million (2022: RMB1.54 million). The auditors engaged by the Company are BDO China Shu Lun Pan Certified Public Accountants LLP, which has been changed since 2021.

(LXIV) Depreciation and amortisation

Item	Amount for the period	Amount for last period
Depreciation of fixed assets	173,761,454.25	160,732,847.18
Amortisation of intangible assets	15,861,950.76	15,377,614.63
Depreciation of right-of-use assets	40,214,475.37	22,857,297.19
Amortisation of long-term prepaid expenses	4,911,087.53	4,226,368.29
Depreciation of investment properties	3,268,712.52	3,268,712.52
Total	238,017,680.43	206,462,839.81

Other explanations: The amount of depreciation expenses included in operating costs, selling expenses, administrative expenses and research and development expenses for the period is RMB217,244,642.14 (last period: RMB186,858,856.89), and the amount of amortization expenses is RMB20,773,038.29 (last period: RMB19,603,982.92).

NOTES TO THE FINANCIAL STATEMENTS

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(LXV) Gain (or loss) on disposal of investments or properties

Gain on disposal of investments during the current period was RMB0, and gain on disposal of properties during the current period was RMB0 (gain on disposal of investments in last period was RMB0, gain on disposal of properties in corresponding period of last year was RMB0).

(LXVI) Operating rental expense

Operating rental expense for the period is RMB45,968,323.81 (last period: RMB45,843,929.85), of which rental expense for machinery and equipment is RMB1,370,836.80 (last period: RMB15,489,589.86).

(LXVII) Rental income

Operating rental income for the period is RMB72,632,642.49 (last period: RMB61,136,466.42), including rental income from land and buildings of RMB20,839,929.35 (last period: RMB35,351,116.47).

(LXVIII) Supplementary information on income statement of expenses by nature

The operating costs, selling expenses, administrative expenses, research and development expenses, and finance costs in the income statement are classified by nature and are listed as follows:

Item	Amount for the period	Amount for last period
Raw materials consumed	4,023,304,585.31	2,729,604,277.71
Employee compensation expenses	1,104,254,612.39	836,260,329.64
Product fee	311,215,825.42	513,749,603.30
Depreciation expenses	217,244,642.14	162,072,352.04
Fuel power fee	76,338,442.36	45,833,690.36
Amortisation expenses	20,773,038.29	19,603,982.92
Balance of product payment	19,686,978.56	16,266,426.47
Finance costs	-227,654,534.16	-230,602,089.67
Other expenses	387,578,267.31	158,952,240.96
Total	5,932,741,857.62	4,251,740,813.73

(LXIX) Items in cash flow statement

1. Other cash receipts relating to operating activities

Item	Amount for the period	Amount for last period
Current account receive	130,485,444.05	257,239,921.30
Government grants	35,429,442.05	41,838,155.33
Interest income	119,846,212.14	58,246,687.45
Receipt/recovery of deposit	38,392,312.77	3,148,664.14
Other non-operating income	694,402.00	267,577.21
Total	324,847,813.01	360,741,005.43

NOTES TO THE FINANCIAL STATEMENTS

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2. Other cash payments relating to operating activities

Item	Amount for the period	Amount for last period
Payment of other current accounts	104,899,945.58	197,938,392.52
Security, deposit	47,556,621.15	7,756,934.96
Administrative expenses and R&D expenses	68,492,665.27	43,807,346.23
Reserve funds	21,008,842.36	16,376,978.17
Non-operating expenses	68.02	
Selling expenses	1,783,150.07	960,826.95
Bank charges	4,132,078.88	21,468,160.35
Warranty expenses	475,782.51	5,586,792.43
Total	248,349,153.84	293,895,431.61

3. Other cash receipts relating to investing activities

Item	Amount for the period	Amount for last period
Refundable fixed deposits and restricted funds over three months	3,909,459,298.56	2,737,355,406.00
Refundable fixed deposits over three months and interest income on various security deposit	80,916,039.37	6,407,807.49
Total	3,990,375,337.93	2,743,763,213.49

4. Other cash payments relating to investing activities

Item	Amount for the period	Amount for last period
Refundable fixed deposits and restricted funds over three months	4,543,875,505.38	6,129,177,454.10
Total	4,543,875,505.38	6,129,177,454.10

5. Other cash receipts relating to financing activities

None.

6. Other cash payments relating to financing activities

Item	Amount for the period	Amount for last period
Leased asset expense	45,968,323.81	537,507.37
Total	45,968,323.81	537,507.37

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, amounts are in RMB)

(LXX) Supplementary information on consolidated cash flow statement

1. Supplementary information on consolidated cash flow statement

Supplementary information	Amount for the period	Amount for last period
1. Reconciliation of net profit and cash flows from operating activities		
Net profit	18,206,095.77	28,438,491.21
Add: Loss on credit impairment	6,523,917.58	-24,145,248.32
Provision for impairment of assets	4,457,594.94	25,904,928.57
Depreciation of fixed assets and investment properties	177,030,166.77	164,001,559.70
Depreciation of right-of-use assets	40,214,475.37	22,857,297.19
Amortisation of intangible assets	15,861,950.76	15,377,614.63
Amortisation of long-term prepaid expenses	4,911,087.53	4,226,368.29
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")		
Loss on retirement of fixed assets (gain expressed with "-")	722,228.08	480,690.60
Loss on changes in fair value (gain expressed with "-")	43,234,836.94	-17,336,152.70
Finance cost (gain expressed with "-")	-9,072,996.45	54,627,490.57
Loss on investments (gain expressed with "-")	20,287,931.58	24,331,129.96
Decrease in deferred tax assets (increase expressed with "-")	2,239,699.75	16,795,999.46
Increase in deferred tax liabilities (decrease expressed with "-")	-5,939,605.19	-16,935,449.56
Decrease in inventories (increase expressed with "-")	-1,009,557,085.88	-1,636,725,227.26
Decrease in operating receivables (increase expressed with "-")	-2,459,532,381.92	1,954,749,550.58
Increase in operating payables (decrease expressed with "-")	546,914,646.55	662,819,581.39
Others		
Net cash flows from operating activities	-2,603,497,437.82	1,279,468,624.31
2. Significant investing and financing activities not involving cash receipts or payments		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
Transfer from inventories to fixed assets		
3. Net changes in cash and cash equivalents		
Ending balance of cash	5,525,049,585.25	6,573,112,458.26
Less: Beginning balance of cash	11,069,985,285.84	5,417,061,556.97
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-5,544,935,700.59	1,156,050,901.29

2. Net cash paid during the period for acquiring subsidiaries

None.

3. Net cash received for the disposal of subsidiaries during the period

None.

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(Unless otherwise stated, amounts are in RMB)

4. Composition of cash and cash equivalents

Item	Amount for the year	Amount for last year
I. Cash	5,525,049,585.25	11,069,985,285.84
Including: Cash on hand	10,620.48	27,083.98
Digital currency available for use on demand		
Bank deposits available for use on demand	5,525,038,964.77	11,069,958,201.86
Other cash at bank and on hand for use on demand		
II. Cash equivalents		
Including: Bond investments due within three months		
III. Ending balance of cash and cash equivalents	5,525,049,585.25	11,069,985,285.84
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use		

(LXXI) Assets subject to restrictions in ownership or use right

Item	Carrying value as at the end of the period	Reasons for restrictions
Cash at bank and on hand	4,366,904,232.65	Fixed deposits with maturity of over 3 months, security deposit, etc.
Notes receivable	3,857,700.31	Notes receivable pledged
Total	4,370,761,932.96	

(LXXII) Foreign currency monetary items

1. Foreign currency monetary items

Item	Ending balance of foreign currency	Translation rate	Ending balance denominated in RMB
Cash at bank and on hand			914,903,203.86
Including: USD	123,760,524.56	7.2258	894,268,798.37
EUR	404,674.41	7.8771	3,187,660.80
HKD	18,922,716.58	0.9220	17,446,744.69
Accounts receivable			622,324,775.15
Including: USD	85,886,979.19	7.2258	620,602,134.23
HKD	1,868,374.10	0.9220	1,722,640.92
Other receivables			113,855.65
Including: HKD	123,487.69	0.9220	113,855.65
Long-term receivables			1,610,587,350.24
Including: USD	222,893,984.09	7.2258	1,610,587,350.24
Accounts payable			887,107,164.07
Including: USD	102,160,271.10	7.2258	738,189,686.91
EUR	18,766,564.59	7.8771	147,826,105.93
NOK	871,200.00	0.6712	584,749.44
GBP	55,409.68	9.1432	506,621.79
Other payables			85,554,821.94
Including: USD	11,824,430.00	7.2258	85,440,966.29
HKD	123,487.69	0.9220	113,855.65

NOTES TO THE FINANCIAL STATEMENTS

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2. Reporting currency of significant overseas business entities

Significant overseas business entity	Place of operation	Reporting currency	Basis
Wah Shun International Marine Limited	Hong Kong, China	HKD	Principal activities are denominated in Hong Kong dollars
Wah Loong International Marine Limited	Hong Kong, China	HKD	Principal activities are denominated in Hong Kong dollars
Wah Sheng International Marine Limited	Hong Kong, China	HKD	Principal activities are denominated in Hong Kong dollars
Wah Hing International Marine Limited	Hong Kong, China	HKD	Principal activities are denominated in Hong Kong dollars
Wah Cheung International Marine Limited	Hong Kong, China	HKD	Principal activities are denominated in Hong Kong dollars
Wah Shui International Marine Limited	Hong Kong, China	HKD	Principal activities are denominated in Hong Kong dollars
Wah Yu International Marine Limited	Hong Kong, China	HKD	Principal activities are denominated in Hong Kong dollars

(LXXIII) Hedging

Qualitative and quantitative information about the hedged items, the related hedging instruments and the hedged risk is disclosed by hedge category as follows:

Fair value hedges

	Carrying value of hedged items		Cumulative amount of fair value hedge adjustments on hedged items (included in the carrying amount of the hedged item)		Balance sheet presentation items containing hedged items		Change in fair value of hedged item used as basis for recognition of hedge ineffectiveness component during the period		Change in fair value of hedging instruments used as basis for recognition of hedge ineffectiveness component during the period		Balance sheet presentation items containing hedging instruments		Ineffective hedge portion included in other comprehensive income		Income statement presentation items included in current profit or loss (including ineffective hedge portion)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Exchange rate risk	132,462,293.42	132,462,293.42	132,462,293.42	132,462,293.42	Other non-current liabilities	150,459,200.91	Other non-current assets	150,459,200.91	Other non-current assets	150,459,200.91	Other non-current assets					
- identified commitment																

NOTES TO THE FINANCIAL STATEMENTS

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(LXXIV) Government grants

1. Basic information on government grants

Item	Amount	Item presented	Amount included in current profit or loss
Promote the realization of supporting policies for the development of science and technology innovation industry	9,901,300.00	Other income	9,901,300.00
Research on the key technologies of design and construction of deep water drilling Vessels	9,900,000.00	Other income	9,900,000.00
DQ research on localized construction process	8,000,000.00	Other income	8,000,000.00
Key technology research on the final assembly and construction of natural gas hydrate drilling vessel (ocean drilling vessel)	5,000,000.00	Other income	5,000,000.00
Grant for insurance maintained for first piece (set)	3,000,000.00	Other income	3,000,000.00
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership	2,000,000.00	Other income	2,000,000.00
Employment subsidies	1,489,866.58	Other income	1,489,866.58
Research on key technologies of solar and wind powered unmanned ships	1,100,000.00	Other income	1,100,000.00
Interest subsidies of policy materialization	1,000,000.00	Other income	1,000,000.00
Other revenue items under RMB1 million	4,445,923.44	Other income	4,445,923.44
Separation and transfer of water, power and gas supply and property management business	910,064.94	Non-operating income	910,064.94
Interest subsidy for transformation into civil development	5,090,000.00	Finance costs	5,090,000.00
Key technology research on the final assembly and construction of natural gas hydrate drilling vessel (ocean drilling vessel)	20,028,000.00	Deferred income	
DQ research on localized construction process	10,790,000.00	Deferred income	
Research and development of future type of marine intelligent air-sea submarine integrated unmanned system mothership	10,657,500.00	Deferred income	
Special test of core equipment for deep-sea resource exploration and research and development of key localized equipment	9,400,000.00	Deferred income	
Key technologies research and equipment research and development of 16MW offshore wind turbines	4,984,577.71	Deferred income	
Separation and transfer of water, power and gas supply and property management business	2,648,475.12	Deferred income	
Large-scale JYJC research and production critical information infrastructure security controllable application demonstration project	2,360,000.00	Deferred income	
Research on integrated application technologies of intelligent logistics and fine processing delivery unit in shipbuilding process	1,500,000.00	Deferred income	
Research on key technologies of deep-sea floating wind power platform and application demonstration	1,313,812.01	Deferred income	
Industrial Internet Platform edge cloud intelligent collaboration system	1,200,000.00	Deferred income	
Signage gateway research project	1,200,000.00	Deferred income	
Deferred revenue items under RMB1 million	6,495,795.77	Deferred income	
Total	124,415,315.57		51,837,154.96

2. Information on return of government grants

None.

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(LXXV) Leases

1. As lessee

Item	Amount for the current period	Amount for the corresponding period of last year
Interest expense of lease liabilities	8,446,913.38	7,572,609.81
Simplified short-term lease expenses included in the related assets or current profit and loss	15,397,945.05	16,490,598.54
Total cash outflow related to leases	45,968,323.81	39,399,111.93

2. As lessor

(1) Operating lease

	Amount for the current period	Amount for the corresponding period of last year
Income from operating leases Including: Income related to variable lease payments not included in lease receipts	72,632,642.49	61,136,466.42

The amount of undiscounted leasing receivable after the date of balance sheet:

Remaining leasing term	Amount for the current period	Amount for the corresponding period of last year
Within one year	88,922,232.48	61,088,867.41
1-2 years	65,448,155.00	37,602,239.70
2-3 years	65,388,500.00	12,500,000.00
3-4 years	65,388,500.00	12,500,000.00
4-5 years	52,166,375.00	12,500,000.00
Over 5 years		
Total	337,313,762.48	136,191,107.11

NOTES TO THE FINANCIAL STATEMENTS

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(2) Finance leases

	Amount for the current period	Amount for the last period
Selling profit or loss		
Finance income on the net investment in the lease	3,282,316.04	3,220,923.27
Income relating to variable lease payments not included in the net investment in the lease		

The amount of leasing receivable after the date of balance sheet:

Remaining leasing term	Amount for the current period	Amount for the last period
Within one year	114,887,008.18	56,351,275.06
Above one year within two years	65,748,810.48	63,843,095.28
Above two years within three years	153,730,151.28	63,843,095.28
Above three years within four years	66,580,879.54	145,772,963.84
Above four years within five years		84,442,292.70
Above five years		
Subtotal of undiscounted leasing receivable	400,946,849.48	414,252,722.16
Add: unguaranteed residual value		
Less: unrealized finance income	16,829,022.47	20,111,338.51
Net investment in the lease	384,117,827.01	394,141,383.65

(LXXVI) Earnings per share

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

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

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

In calculating the weighted average number of shares increased after conversion of dilutive potential ordinary shares into issued 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.

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

Item	No.	Amount for the current period	Amount for the corresponding period of last year
Net profit attributable to shareholders of the Company	1	12,665,284.90	18,928,805.72
Non-recurring gains and losses attributable to the Company	2	-2,813,630.16	16,828,227.97
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	3=1-2	15,478,915.06	2,100,577.75
Total number of shares at the beginning of the period	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 the month following the month in which the number of shares is increased to the end of the period (II)	7		
Number of shares decreased due to stock repurchase	8		
Number of months from the month following the month in which the number of shares is decreased to the end of the period	9		
Number of shares decreased due to capital reduction	10		
Number of months in the Reporting Period	11	6.00	6.00
Weighted average number of ordinary shares 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 earning 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	0.0090	0.0134
Basic earnings per share (II)	15=3÷13	0.0110	0.0015
Potential diluted interests of ordinary shares recognised as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.25
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted earnings per share (I)	20=[1+(16-17)×(100%-18)]÷(12+19)	0.0090	0.0134
Diluted earnings per share (II)	21=[3+(16-17)×(100%-18)]÷(13+19)	0.0110	0.0015

(LXXVII) Dividends

Final dividends for the year ended 31 December 2022 totaling RMB14,135,063.78 (last period: RMB195,063,880.16) were declared and paid during the six months ended 30 June 2023.

The Company will not distribute the interim dividends for the six month period ended 30 June 2023 (last period: RMB0).

VI. CHANGES IN SCOPE OF CONSOLIDATION

During the period, no changes in scope of consolidation and related matters.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

VII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Composition of the Group

Name of subsidiary	Place of registration and principal operation	Business Nature	Registered capital (RMB in ten thousand)	Percentage of shareholding (%)		Acquisition method	Type of legal person
				Direct	Indirect		
Subsidiary indirectly held through two level structures:							
Huangpu Wenchong	Guangzhou	Ship building	361,918.32	54.5371		Business combination under common control	Other company with limited liability
Subsidiaries indirectly held through three level structures:							
Wenchong Shipyard	Guangzhou	Ship building	142,017.85		100.00	Business combination under common control	Company with limited liability (Wholly-owned by legal person)
Huangchuan Ocean Engineering	Guangzhou	Ship building	6,800.00		100.00	Business combination under common control	Company with limited liability (Wholly-owned by legal person)
Wenchuan Heavy Industrial	Guangzhou	Equipment manufacturing	21,000.00		100.00	Business combination under common control	Company with limited liability (Wholly-owned by legal person)
CSSC Internet	Guangzhou	Information electronic technology services	5,000.00		100.00	Establishment through investment	Company with limited liability (Wholly-owned by legal person)
Zhanjiang Nanhai	Zhanjiang	Provision of labour services	200.00		60.00	Business combination under common control	Company with limited liability (State controlled)
Wenchong Bingshen	Guangzhou	Equipment manufacturing	560.00		60.00	Business combination under common control	Company with limited liability (Sino-foreign joint venture)
Wah Shun	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment	Other company with limited liability (State controlled)
Wah Loong	Hong Kong	Other operating leases relating to machinery and equipment	HK\$1 million		99.00	Establishment through investment	Other company with limited liability (State controlled)
Xingji	Guangzhou	Professional technical services	500.00		37.50	Establishment through investment	Company with limited liability (Taiwan, Hong Kong, Macao and domestic joint venture)
HuaCheng	Tianjin	Other operating leases relating to machinery and equipment	5.00		100.00	Establishment through investment	Company with limited liability (wholly-owned by legal person)
HuaXin	Tianjin	Other operating leases relating to machinery and equipment	5.00		100.00	Establishment through investment	Company with limited liability (wholly-owned by legal person)
Wah Sheung	Hong Kong	Other operating leases relating to machinery and equipment	HK\$10,000		100.00	Establishment through investment	Other company with limited liability (State controlled)
Wah Cheung	Hong Kong	Other operating leases relating to machinery and equipment	HK\$10,000		100.00	Establishment through investment	Other company with limited liability (State controlled)
Wah Hing	Hong Kong	Other operating leases relating to machinery and equipment	HK\$10,000		100.00	Establishment through investment	Other company with limited liability (State controlled)
Wah Shui	Hong Kong	Other operating leases relating to machinery and equipment	HK\$10,000		100.00	Establishment through investment	Other company with limited liability (State controlled)
Wah Yu	Hong Kong	Other operating leases relating to machinery and equipment	HK\$10,000		100.00	Establishment through investment	Other company with limited liability (State controlled)
Subsidiaries indirectly held through four level structures:							
CSSC New Energy	Guangzhou	Liquefied petroleum production and supply	1,800.00		61.88	Establishment through investment	Other company with limited liability
Guangxi Heavy Industrial	Qinzhou	Equipment manufacturing	42,000.00		71.40	Establishment through investment	Other company with limited liability

Other explanations:

- Xingji has three shareholders and is held as to 37.50% by Huangpu Wenchong, as to 37.50% by Shanghai Merchant Vessel Design and Research Institute (both under the common control of CSSC), and as to 25% by Yuzhong International Co., Ltd. Its chairman is appointed by Huangpu Wenchong, which is also responsible for the operation and management of Xingji. Huangpu Wenchong is in a position to control the relevant activities of Xingji. As such, Xingji is included in the scope of consolidation.
- Xingji and Wenchong Bingshen are both sino-foreign joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, amounts are in RMB)

2. Significant non-wholly-owned subsidiaries

Name of subsidiary	Percentage of non-controlling interest	Gain or loss attributable to non-controlling interest for the period	Dividends declared to non-controlling interest for the period	Ending balance of non-controlling interest
Huangpu Wenchong	45.4629%	6,090,853.08		3,159,729,122.72

3. Major financial information on significant non-wholly-owned subsidiaries

Unit: RMB in ten thousand

Name of subsidiary	Ending balance			Beginning balance		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Huangpu Wenchong	2,291,142.86	1,008,650.15	3,299,793.01	2,328,663.21	233,036.70	2,561,699.91
				2,436,788.13	1,021,581.69	3,458,369.82
				2,431,783.65	289,828.81	2,721,612.46

Name of subsidiary	Current period			Corresponding period of last year		
	Operating income	Total comprehensive income	Cash flows from operating activities	Operating income	Total comprehensive income	Cash flows from operating activities
Huangpu Wenchong	597,578.72	1,284.74	-260,394.43	426,465.59	2,116.25	127,858.54
				844.42		

4. Material restrictions on the use of assets of the enterprise group and settlement of debts of the enterprise group

None.

5. Financial or other assistance provided to structured entities included in the consolidated financial statements

None.

(II) Transactions resulting in the change in percentage of owner's equity in subsidiaries without losing control

None.

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(III) Interests in joint ventures or associates

1. Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of incorporation	Business nature	Percentage of shareholding (%)		Accounting method for investment in joint ventures or associates	Strategic to the Company's activities
				Direct	Indirect		
GSI	Guangzhou	Guangzhou	Metal shipbuilding	41.9170		Equity method	No

2. Key financial information of joint ventures

Item	GSI	
	Ending balance/ current period	Beginning balance/ corresponding period of last year
Current assets	25,515,576,548.68	23,097,242,002.43
Including: Cash and cash equivalents	6,323,314,750.31	5,277,451,041.73
Non-current assets	11,187,888,264.14	11,471,951,275.92
Total assets	36,703,464,812.82	34,569,193,278.35
Current liabilities	25,494,579,656.14	23,596,583,285.76
Non-current liabilities	2,288,898,550.81	1,176,208,593.09
Total liabilities	27,783,478,206.95	24,772,791,878.85
Non-controlling interest	70,278,414.83	69,258,038.24
Equity attributable to shareholders of the Company	8,849,708,191.04	9,727,143,361.26
Share of net assets based on shareholding percentage	3,623,702,933.24	3,991,523,955.73
Adjustments	1,546,428,685.12	1,561,628,317.40
Carrying amount of equity investments in associates	5,170,131,618.36	5,553,152,273.13
Operating income	6,734,946,647.55	5,293,415,116.82
Finance costs	-111,397,559.74	-2,095,424.39
Income tax expense	1,621,545.26	-153,389.94
Net profit	20,657,101.86	17,049,650.94
Other comprehensive income		
Total comprehensive income	20,657,101.86	17,049,650.94

3. Aggregated financial information of insignificant joint ventures and associates

	Ending balance/ current period	Beginning balance/ corresponding period of last year
Joint ventures:		
Total carrying amount of investments		
Amounts in aggregate in proportion to the shareholdings		
– Net profit		
– Other comprehensive income		
– Total comprehensive income		
Associates:		
Total carrying amount of investments	26,367,878.60	23,124,226.44
Amounts in aggregate in proportion to the shareholdings		
– Net profit	9,473,218.92	-660,403.24
– Other comprehensive income		
– Total comprehensive income	9,473,218.92	-660,403.24

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4. Description of major restrictions on the ability of joint venture or associate to transfer funds to the Company

None.

5. Excessive losses incurred by joint ventures or associates

None.

6. Unrecognized commitment related to investment in joint ventures

None.

7. Contingent liabilities related to investment in joint ventures or associates

None.

(IV) Significant joint operation

None.

(V) Interests in structured entities not included in the scope of consolidated financial statements

None.

VIII. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include borrowings, receivables, payables, investment in equity instruments not held-for-trading and forward exchange contracts. For details for each financial instrument, please see Note V. The risks related to these financial instruments, and the Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure by the management of the Group is to ensure that these risks mentioned above are controlled within a reasonable range.

(I) Various risk management objectives and policies

The risk management objectives of the Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyse all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

1. Market risk

(1) Foreign currency risk

The Group's foreign exchange exposure is mainly related to USD, HKD and EUR. Except that the Group is using foreign currencies including USD, HKD and EUR for sales and purchase transactions in respect of shipbuilding business, other main business operations of the Company are denominated and settled in RMB. As at the end of the period, except for assets and liabilities with balances in USD, HKD and EUR set out below, all other assets and liabilities of the Group were denominated in RMB. The recognised assets and liabilities in USD and the unrecognised ship settlement in USD shown in the table below, leading to foreign currency risk, may affect the results of operation of the Group.

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Item	Ending balance	Beginning balance
Cash and cash equivalents-USD	123,760,524.56	1,197,488,421.48
Cash and cash equivalents-HKD	18,922,716.58	5,234,135.51
Cash and cash equivalents-EUR	404,674.41	2,894,297.98
Accounts receivable-USD	85,886,979.19	542,956,604.85
Accounts receivable-HKD	1,868,374.10	428,784.00
Other receivables-USD		514,196.42
Other receivables-HKD	123,487.69	
Long-term receivables-USD	222,893,984.09	274,872,865.81
Accounts payable-USD	102,160,271.10	
Accounts payable-EUR	18,766,564.59	
Accounts payable-NOK	871,200.00	
Accounts payable-GBP	55,409.68	
Other payables-USD	11,824,430.00	45,964,629.44
Other payables-HKD	123,487.69	

The Group pays close attention to the impact of exchange rate changes on the Group, and attaches importance to the study of exchange rate risk management policies and strategies. It adjusts the structure of foreign currency assets or liabilities in view of the trend of exchange rate changes or enters into forward exchange trading contracts (forward exchange settlement), exchange swaps, exchange option trading portfolio contracts with banks to reduce the impact of exchange rate risk.

(2) *Interest rate risk*

The interest rate risk of the Group is generated from bank borrowings with interest rate. Floating-rate financial liabilities expose the Group to cash flow interest rate risk, and fixed-rate financial liabilities expose the Group to fair value interest rate risk. The Group adjusts the relative percentage of contracts with floating rates and fixed rates in view of the then market environment. As at the end of the period, the Group's bank borrowings mainly included fixed interest rate contracts denominated in RMB with total amount of RMB3,380,800,000.00 (at the beginning of the year: RMB4,390,000,000.00) and floating interest rate contracts denominated in RMB with total amount of RMB1,000,000,000.00 (at the beginning of the year: RMB2,100,000,000.00).

The risk of changes in fair value of financial instrument of the Group caused by changes in interest rate is mainly related to bank borrowings with fixed interest rate. As for the borrowings with fixed interest rate, the goal of the Group is to keep these borrowings with floating interest rate.

The risk of changes in cash flows of financial instrument of the Group caused by changes in interest rate is mainly related to bank borrowings with floating interest rate. It is the policy of the Group to keep these borrowings with floating interest rate, in order to eliminate the risk in fair value related to changes in interest rate.

(3) *Price risk*

The Group undertakes sales orders for shipbuilding and ship maintenance, offshore engineering products and electromechanical products at market price, and is subject to the price fluctuations.

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2. Credit risk

As at the end of the period, the Group's potential maximum exposure to credit risk is mainly because of the counterparties' failure to perform their obligations leading to losses or financial guarantee related to the Group and the financial burden assumed by the Group, including:

Book value of the recognised financial assets in the consolidated balance sheet; as for financial instruments measured at fair value, book value reflects their exposures to risks, but not the maximum exposure to risks which shall be changed as changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit and executing supervisory procedures, has been established within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. In addition, the Group reviews the collection of each single receivable at the balance sheet date to ensure sufficient provision for bad debts is made for unrecoverable amounts. Therefore, the management considers that credit risks facing the Group have been reduced significantly.

Apart from the deposits placed with CSSC Finance Company Limited, the Group places bank deposits and other monetary funds with financial institutions with high credit ratings, and therefore their credit risk is relatively low. Deposits placed with finance companies are reconciled with the Group on a regular basis to ensure that the funds on deposit are in proper condition.

The Group has adopted necessary policies to ensure that all clients have good credit history. The Group has no other significant concentration of credit risk except for the top five accounts receivable and long-term receivables.

Top five accounts receivable amounted to RMB945,823,936.00 (at the beginning of the year: RMB646,177,652.49) in total; long-term receivables amounted to RMB2,131,845,948.27 (at the beginning of the year: RMB2,208,030,534.68) in total.

3. Liquidity risk

Liquidity risk refers to the risk that the Group could not meet its financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of reputation of the Group. The analysis of liabilities structure and durations is made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutions to maintain the credit lines and reduce liquidity risks.

The sources of funding of the Group are mainly from bank borrowings.

Each of the Group's financial liabilities is presented as undiscounted contractual cash flows by maturity date as follows:

Item	Ending balance				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	1,605,943,583.33				1,605,943,583.33
Financial liabilities held-for-trading	43,757,562.10				43,757,562.10
Notes payable	1,712,111,908.09				1,712,111,908.09
Accounts payable	5,269,070,627.09				5,269,070,627.09
Other payables	293,302,983.93				293,302,983.93
Long-term borrowings	1,051,399,140.00	410,000,000.00	100,000,000.00	1,215,816,000.00	2,777,215,140.00
Lease liabilities	73,567,965.08	34,229,615.11	57,749,865.76	21,073,822.68	186,621,268.63
Total	10,049,153,769.62	444,229,615.11	157,749,865.76	1,236,889,822.68	11,888,023,073.17

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(II) Sensitivity analysis

The Group adopts sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

1. Exchange rate risk sensitivity analysis

The assumption of exchange rate sensitivity analysis: all overseas net operational investment hedge and cash flow hedge are highly effective.

Based on the above assumptions, with other variables unchanged, the exchange rate might float within a reasonable range, the after-tax effect of reasonable exchange rate fluctuations on current profit or loss is as follows:

Item	Change in exchange rate	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Strengthen by 5% against RMB	90,258,394.09	90,258,394.09	39,729,156.26	39,729,156.26
USD	Weaken by 5% against RMB	-90,258,394.09	-90,258,394.09	-39,729,156.26	-39,729,156.26

2. Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis is based on the following assumptions: changes in market interest rate affect the interest income or expenses of floating-rate financial instruments; for fixed-rate financial instruments measured at fair value, the changes in market value affect their interest income or expenses only; and changes in fair value of derivative financial instruments and other financial assets and liabilities are calculated using cash flow discount method and the market interest rate at the balance sheet date.

Based on the above assumptions, with other variables unchanged, the after-tax effect of reasonable interest rate fluctuations on current profit or loss is as follows:

Item	Change in interest rate	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-13,175,000.00	-13,175,000.00	-13,153,750.00	-13,153,750.00
Floating-rate borrowings	Decrease by 1%	13,175,000.00	13,175,000.00	13,153,750.00	13,153,750.00

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IX. DISCLOSURE OF FAIR VALUE

The inputs used for fair value measurement are divided into three levels:

Level 1 input is the unadjusted quotation of the same asset or liability that is available on the measurement day in the active market.

Level 2 input is the input that can be observed directly or indirectly of the relevant asset or liability other than those in level 1.

Level 3 input is the unobservable input of the relevant asset or liability.

The level of the fair value measurement is determined by the lowest level of the input which is of great significance to the whole of the fair value measurement.

(I) Fair value of assets and liabilities measured at fair value at the end of the period

Item	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Fair value measurement on a recurring basis				
◆ Financial assets held-for-trading	319,632.03	4,620,167.93		4,939,799.96
1. Financial assets at fair value through profit or loss				
Investment in equity instruments	319,632.03			319,632.03
Investment in equity instruments	319,632.03			319,632.03
2. Financial assets designated at fair value through profit or loss		4,620,167.93		4,620,167.93
◆ Receivable financing			113,711,656.69	113,711,656.69
◆ Investments in other equity instruments	7,192,327,216.26		4,324,262.79	7,196,651,479.05
◆ Other non-current financial assets – hedging instruments		150,459,200.91		150,459,200.91
Total assets measured at fair value on a recurring basis	7,192,646,848.29	155,079,368.84	118,035,919.48	7,465,762,136.61
◆ Financial liabilities held-for-trading		43,757,562.10		43,757,562.10
Financial liabilities designated at fair value through current profit or loss		43,757,562.10		43,757,562.10
◆ Other non-current financial liabilities – hedged items		132,462,293.42		132,462,293.42
Total liabilities measured at fair value on a recurring basis		176,219,855.52		176,219,855.52

(II) Basis for determination of level 1 fair value measurement on a recurring and a non-recurring basis

Of the investment in equity instruments held and not held for trading measured at fair value, the fair value of the shares of listed companies held by the Group was determined based on the closing prices at 30 June 2023.

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(III) Basis for determination of level 2 fair value measurement on a recurring and a non-recurring basis

For items such as forward exchange contracts measured at fair value out of financial assets held-for-trading and financial liabilities held-for-trading, for the sake of prudence, the Company chooses quotations from one bank as inputs and recognises their fair value based on the difference between the quoted exchange rate at the balance sheet date from the bank and the contract exchange rate, using the benchmark loan interest rate for the corresponding term published by the People's Bank of China as the discount rate.

(IV) Valuation techniques and qualitative and quantitative information on significant parameters used for level 3 fair value measurement on a recurring and a non-recurring basis

For the equity investment held by the Group in unlisted companies out of investment in equity instruments not held for trading measured at fair value, the Group determines their fair value using valuation techniques. After analysis, the fair value of the net assets of the investee approximates the net book value of the investee and therefore the fair value is determined by multiplying the net book value of the investee by the percentage of shareholding.

(5) Analysis on the measurement items measured at fair value of level 3 on a going concern, adjustment information between the book value as at the end of the last period and the book value as at the end of last period and sensitivity of unobservable parameters

Adjustment information for the measurement items measured at fair value of level 3 on a going concern

Item	Beginning balance	Transfer to level 3	Transfer from level 3	Total current profit or loss		Purchases, issuances, sales, and settlements			For assets held at the end of the reporting period, current unrealized gains or changes included in profit or loss
				Included in the profit or loss	Included in other comprehensive income	Purchases	Issuances	Sales	
◆ Financial assets held-for-trading	111,888,545.80							1,823,110.89	113,711,656.69
◆ Receivables financing	28,144,355.07			-4,430,092.28		19,390,000.00			4,324,262.79
◆ Investments in other equity instruments	140,032,900.87			-4,430,092.28		19,390,000.00		1,823,110.89	118,035,919.48
Total									

Including: Gains and losses related to financial assets
Gains and losses related to non-financial assets

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Controlling shareholder and ultimate controller

1. Controlling shareholder and ultimate controller

Name of controlling shareholder	Place of incorporation	Business nature	Registered capital	Shareholding percentage in the Company (%)	Percentage of voting rights in the Company (%)
CSSC	Shanghai	Shipbuilding	RMB32 billion	34.05	58.52

The ultimate controller of the Company is: the State-owned Assets Supervision and Administration Commission of the State Council.

2. Controlling shareholder's registered capital and its changes

Name of controlling shareholder	Beginning balance	Increase for the period	Decrease for the period	Ending balance
CSSC	RMB32 billion			RMB32 billion

3. Shareholding of controlling shareholder and the parties acting in concert and its changes

Controlling shareholder	Shareholding amount		Percentage of shareholding (%)		Remarks
	Ending balance	Beginning balance	Ending balance	Beginning balance	
CSSC	481,337,700.00	481,337,700.00	34.05	34.05	Parties acting in concert
CSSC International	345,940,890.00	345,940,890.00	24.47	24.47	
Total	827,278,590.00	827,278,590.00	58.52	58.52	

(II) Subsidiaries of the Company

For details of subsidiaries of the Company, please refer to Note "VII. INTERESTS IN OTHER ENTITIES" under this section.

(III) Joint ventures and associates of the Company

For details of significant joint ventures or associates of the Company, please refer to Note "VII. INTERESTS IN OTHER ENTITIES" under this section.

Other joint ventures or associates that have related party transactions with the Company during the current period or have balance of related party transactions with the Company for the previous period are as follows:

Category of relationship	Name of related party	Principal content of the transactions	Unified social credit identifier	Category of company
Associate	Guangzhou Shipyard International Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	914401017889253316	Company with limited liability (Joint venture of foreign-invested enterprise and domestic enterprise)
Associate	CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	Purchase of goods, receipt of services	91350128MA2Y9Q5W5W	Other company with limited liability
Associate	Guangzhou Xinhang Human Resources Service Co., Ltd.	Purchase of goods, receipt of services	91440112799414238G	Other company with limited liability

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(IV) Other related parties

Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Anqing Marine Electric Co., Ltd.	Purchase of goods and receipt of services	913408007711027188	Company with limited liability (Wholly owned by a legal person invested or controlled by natural person)
Under the control of the common controlling shareholder and actual controller	Anqing CSSC Diesel Engine Co., Ltd.	Purchase of goods	91340800151306277Q	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Beijing Leiyin Electronic Technology Development Co., Ltd.	Purchase of goods and receipt of services	91110106633641027L	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Beijing the Great Wall Electronic Equipment Co., Ltd.	Purchase of goods and receipt of services	911101081019079710	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding IT Co., Ltd.	Sales of goods and provision of services	911101088020423339	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation Information Research Center (China Shipbuilding Group Co., Ltd. 714 Research Institute)	Materials procurement	121000004000101285	Public institution
Under the control of the common controlling shareholder and actual controller	Dalian Shipbuilding Industry Engineering Company	Purchase of goods and receipt of services, receipt of leasing	912102042430114845	Collective ownership
Under the control of the common controlling shareholder and actual controller	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Receipt of design and technical services, receipt of services	912102831188303922	Collective ownership
Under the control of the common controlling shareholder and actual controller	Dalian Ship Valve Company Limited	Purchase of goods and receipt of services	912102311185217926	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Dalian Marine Propeller Co., Ltd.	Purchase of goods and receipt of services	912102001184759685	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Dalian Shipping Factory Tools Industry Company	Purchase of goods and receipt of services	91210211243164907M	Collective ownership
Under the control of the common controlling shareholder and actual controller	CSSC Dalian New Consumables Co., Ltd.	Purchase of goods and receipt of services	91210213089099384Y	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Marinequip China Company Limited	Purchase of goods and receipt of services	#5220000#5110002XQ	Other company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Purchase of goods and receipt of services	91440000231128917P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	Sales of goods and provision of services	91440800MA52U9508N	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Receipt of design and technical services	914500000811760314	Other company with limited liability

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Guangzhou Ship Industrial Co., Ltd.	Purchase of goods and receipt of services	91440101190506722Q	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Guangzhou Guangchuan Offshore Engineering Equipment Co., Ltd.	Purchase of goods and receipt of services	9144010168132734X6	Company with limited liability (Wholly owned by legal person of foreign-invested enterprise)
Under the control of the common controlling shareholder and actual controller	Guangzhou Shipyard HR Service Co., Ltd.	Receipt of design and technical services, receipt of services	91440103664021381U	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and receipt of services	914401042312505170	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Guangzhou Hongfan Technology Co., Ltd.	Receipt of design and technical services, procurement of equipment	91440101708257645P	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Technician Training School of Guangzhou Huangpu Shipyard	Receipt of design and technical services	12440000738592911K	Public institution
Under the control of the common controlling shareholder and actual controller	Kindergarten of Guangzhou Huangpu Shipyard	Provision of services	12440000738577981F	Public institution
Under the control of the common controlling shareholder and actual controller	Guangzhou Longxue Pipe Co., Ltd.	Receipt of services	91440101696938450J	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Guangzhou Wenchong Shipbuilding Co., Ltd.	Receipt of services	91440101MA5CY9PU1E	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Guangzhou Shipyard Co., Ltd.	Receipt of design and technical services, procurement of equipment	91440101190440532F	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Harbin Guanghan Power Transmission Co., Ltd.	Purchase of goods and receipt of services	912301995654123446	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and receipt of services	91110106082890640P	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Haiying Enterprises Group Co., Ltd.	Purchase of goods and receipt of services	913202141347573676	Company with limited liability
Under the control of the common controlling shareholder and actual controller	Hebei Hanguang Heavy Industry Co., Ltd.	Receipt of services	911304001055252846	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Henan Diesel Engine Heavy Engineering Co., Ltd.	Purchase of goods and receipt of services	914103006634395595	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Hubei Siant Technology Co., Ltd.	Purchase of goods and receipt of services	914201007220007747	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	Sales of goods and provision of services	9131000070326335X7	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Hudong Heavy Machinery Co., Ltd.	Purchase of goods and receipt of services	91310115669401543C	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Wah-Chang International Marine Industry Company Limited	Purchase of goods and receipt of services	#5220000XG725000J	Other company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	China United Shipbuilding Company Limited	Purchase of goods and receipt of services	#5220000#511000111	Other company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	Jiangnan Shipyard (Group) Co., Ltd.	Receipt of services	913100001322043124	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Jiangxi Chaoyang Machinery Co., Ltd.	Purchase of goods and receipt of services	913604001582614892	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	Purchase of goods and receipt of services	91360429598860469Y	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Jiangxi CSSC Navigation Instrument Co., Ltd.	Sales of goods and provision of services	913604021595005410	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	913604007697567041	Company with limited liability (Wholly state-owned)
Under the control of the common controlling shareholder and actual controller	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and receipt of services	12100000MB2001373R	Ownership by the whole people
Under the control of the common controlling shareholder and actual controller	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Purchase of goods and receipt of services	913604007697501774	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	KSEC Intelligent Technology Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91530100709763144A	Other Joint Stock Company Limited (Unlisted)
Under the control of the common controlling shareholder and actual controller	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Purchase of goods and receipt of services	91320114742362916X	Company with limited liability
Under the control of the common controlling shareholder and actual controller	Nanjing CSSC Oasis Machine Co., Ltd.	Purchase of goods and receipt of services	913201151349053822	Company with limited liability
Under the control of the common controlling shareholder and actual controller	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	Purchase of goods and receipt of services	91370200750419038P	Other Joint Stock Company Limited (Unlisted)
Under the control of the common controlling shareholder and actual controller	Xiamen Sunrui Ship Coatings Co., Ltd.	Purchase of goods	91350200761709479M	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Shanxi Fenxi Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	911400007701102654	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Shaanxi Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91610000755231771E	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Purchase of goods and receipt of services	123309000620206217	Public institution
Under the control of the common controlling shareholder and actual controller	Shanghai Merchant Ship Design & Research Institute	Receipt of services, receipt of design and technical services	12100000717810086K	Public institution
Under the control of the common controlling shareholder and actual controller	Shanghai Dongxin Software Engineering Co., Ltd.	Purchase of goods and receipt of services	9131000073745754XT	Company with limited liability (Wholly owned by a legal person invested or controlled by natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Haixun Electrical Engineering Co., Ltd.	Purchase of goods and receipt of services	91310118751896055E	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Hunter Marine Equipment Co., Ltd.	Purchase of goods and receipt of services	91310230067816848E	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Shanghai Hengtuo Industrial Development Co., Ltd.	Purchase of goods and receipt of services	913101046822767751	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of goods and receipt of services	91310230631147500M	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Shanghai Huajing Power Station Equipment Co., Ltd.	Purchase of goods and receipt of services	91310113631256379P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of goods and receipt of services	913101071329233921	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Ling Yao Ship Engineering Co., Ltd.	Purchase of goods and receipt of services	91310112055059886N	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Qiyao Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	91310112342099741R	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai SEVEN Science & Technology Engineering Co., Ltd.	Sales of goods and provision of services	913101061328408535	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Shenbo Information System Engineering Co., Ltd.	Purchase of goods and receipt of services	913101046309035540	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Stary Ship Ocean Engineering Service Co., Ltd.	Purchase of goods and receipt of services	91310000631140202F	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Sales of goods and provision of services	913101156314236324	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai Xincheng Huahai International Trade Development Co., Ltd.	Sales of goods and provision of services	91310115MA7F5WHX60	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Shanghai Zhenhua Engineering Consulting Co., Ltd.	Purchase of goods and receipt of services	91310107631898873Q	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Purchase of goods and receipt of services	91310101766907124E	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	Purchase of goods and receipt of services	913101156746470974	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Suzhou Jianghai Communication Co., Ltd.	Purchase of goods and receipt of services	913205061377183984	Company with limited liability (invested or controlled by natural person)
Under the control of the common controlling shareholder and actual controller	Wuchang Shipbuilding Industry Group Co., Ltd.	Receipt of services	91420100177688517B	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Wuhan Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	914201007581511288	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Wuhan Haiyi Science and Technology Limited Company	Purchase of goods and receipt of services	914201000819651028	Company with limited liability (invested or controlled by natural person)
Under the control of the common controlling shareholder and actual controller	Wuhan Kawasaki Marine Machinery Co., Ltd.	Purchase of goods and receipt of services	914201007246755641	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Wuhan Huazhongtianqin Defense Technology Co., Ltd.	Purchase of goods and receipt of services	914201005879749892	Company with limited liability (Wholly owned by a legal person invested or controlled by natural person)
Under the control of the common controlling shareholder and actual controller	Wuhan Langan Technology Co., Ltd.	Purchase of goods and receipt of services	914201005749474475	Company with limited liability (Wholly owned by a legal person invested or controlled by natural person)
Under the control of the common controlling shareholder and actual controller	Wuhan Temo Welding Consumables Co., Ltd.	Purchase of goods and receipt of services	91420107761211961K	Joint Stock Company Limited (unlisted, invested or controlled by natural persons)
Under the control of the common controlling shareholder and actual controller	Wuhan Heavy Industry Casting & Forging Co., Ltd.	Purchase of goods and receipt of services	91420100177685180G	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Yichang Marine Diesel Co., Ltd.	Purchase of goods and receipt of services	91420500179161663U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	Yinghui South Ship building (Guangzhou Fanyu) Co., Ltd.	Purchase of goods and receipt of services	914401136187842302	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Zhenjiang China Marine-Xiandai Generating Co., Ltd.	Purchase of goods and receipt of services	913211917820673134	Company with limited liability (Taiwan, Hong Kong, Macau and domestic joint venture)
Under the control of the common controlling shareholder and actual controller	CSSC Finance Company Limited	Receipt of financial services	91310115100027155G	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Chengxi Shipbuilding Co., Ltd.	Sales of goods and provision of services	91320281142243024W	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	CSSC Chengxi Yangzhou Shipbuilding Company Limited	Sales of goods and provision of services	91321012323728098Y	Company with limited liability
Under the control of the common controlling shareholder and actual controller	China Shipbuilding NDRI Engineering Co., Ltd.	Purchase of goods and receipt of services	91310107425014619A	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Electronic Technology (Sanya) Co., Ltd.	Receipt of design and technical services	91460200MA5RH1QT9X	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Marine Power (Zhenjiang) Co. Ltd.	Purchase of goods and receipt of services	913211007317784309	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Purchase of goods and receipt of services	91440101056586979E	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of goods and receipt of services	91310110051227838H	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Provision of leasing	91450700059544985W	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Guijiang Shipbuilding Co., Ltd.	Provision of leasing	91450400199125619J	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding International Trading Co., Ltd.	Purchase of goods and receipt of services	91310115703424416U	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	CSSC Marine Services Co., Ltd.	Purchase of goods and receipt of services	91310115MA1K3M2Q92	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	Sales of goods and provision of services	91110115344281467B	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	CSSC Marine Technology Co., Ltd.	Purchase of goods and receipt of services	91310115767236625B	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Hua Hai Ships Equipment Co., Ltd.	Purchase of goods and receipt of services	91310101132203280U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Provision of services and provision of leasing	91440101677764045H	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	CSSC Southern China Ship Machinery Co., Ltd.	Purchase of goods and receipt of services	91450400199124798E	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Jiujiang Boiler Co., Ltd.	Purchase of goods and receipt of services	91360406MA388PRP8Q	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	Purchase of goods and receipt of services	91360400858263725E	Other company with limited liability

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Purchase of goods and receipt of services	91310107132943529A	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Purchase of goods and receipt of services	91321102MA1MQMDU91	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Trading Guangzhou Co., Ltd.	Purchase of goods and receipt of services	91440101MA5AKBD904	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	CSSC Financial Leasing (Shanghai) Co., Ltd.	Sales of goods and provision of services	9131000090006392A	Company with limited liability (Taiwan, Hong Kong, Macau and domestic joint venture)
Under the control of the common controlling shareholder and actual controller	CSSC SDARI Energy Saving Technology (Shanghai) Company Limited	Sales of goods and provision of services	91310115MA7FWW3G52	Company with limited liability (Foreign-invested enterprises and domestic joint ventures)
Under the control of the common controlling shareholder and actual controller	CSSC Culture Technology (Beijing) Co., Ltd.	Receipt of design and technical services	91110108MA00BNDY07	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	CSIC Shanghai Marine Energy Saving Technology Development Co., Ltd.	Purchase of goods and receipt of services	91310101324445479M	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSIC Motor Technology Co., Ltd.	Purchase of goods and receipt of services	91320200784951110Y	Joint Stock Company Limited (Unlisted)
Under the control of the common controlling shareholder and actual controller	CSIC Haisheng Technology Co., Ltd.	Purchase of goods and receipt of services	91420500760672977G	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd.	Purchase of goods and receipt of services	913212830566715245	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Equipment and Materials Group Guangzhou Co., Ltd.	Purchase of goods and receipt of services	91440101552381964L	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSIC Material Trade Group Wuhan Co., Ltd.	Purchase of goods and receipt of services	91420100663453086G	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	CSIC Zhongnan Equipment Co., Ltd.	Purchase of goods and receipt of services	91420000757020943U	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	CSIC Chongqing Changping Machinery Co., Ltd.	Purchase of goods and receipt of services	91500101207901754J	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	CSSC (Hong Kong) Shipping Company Limited	Purchase of goods and receipt of services, sales of goods and provision of services	#5220000#51105RE3N	H Share Listed Joint Stock Company Limited (State-controlled)
Under the control of the common controlling shareholder and actual controller	China Ship News Agency	Receipt of design and technical services	12100000E00663201G	Public institution
Under the control of the common controlling shareholder and actual controller	China Ship Power Station Equipment Co., Ltd.	Purchase of goods and receipt of services	91310115756976070P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	China National Shipbuilding Equipment & Materials (South China) Company Limited	Receipt of leasing	91440000190332072P	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 11 Research Institute	Purchase of goods and receipt of services	12100000717806669G	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited	Purchase of goods and receipt of services	91310000710924478P	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Trading (BVI) Co., Ltd.	Sales of goods and provision of services	#5220000#511000704	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Purchase of goods and receipt of services	914401011905500105	Ownership by the whole people
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Trading (Shanghai) Co., Ltd	Sales of goods and provision of services	913101151322076441	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Trading Co., Ltd.	Purchase of goods and receipt of services	91110000100001027Q	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Equipment & Materials Northeast Corporation	Purchase of goods and receipt of services	91210100117660571P	Company with limited liability (State-controlled)
Under the control of the common controlling shareholder and actual controller	China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91310101132203213X	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Purchase of goods and receipt of services	91440000190332072P	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.	Purchase of goods and receipt of services	91500105202804269L	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	China Institute of Marine Technology & Economy of China State Shipbuilding Corporation	Sales of goods and provision of services	12110108400882006D	Public institution
Under the control of the common controlling shareholder and actual controller	Marine Design and Research Institute of China	Purchase of goods and receipt of services	12100000425007603X	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Equipment and Materials Corporation Limited	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	91110000100009512E	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited	Purchase of goods and receipt of services	91310000MA1FL70B67	Company with limited liability (Wholly state-owned)

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	CSSC Beijing Ship Management College	Sales of goods and provision of services	1210000040000123XC	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 722 Research Institute	Purchase of goods and receipt of services	121000007227159643	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 726 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000425010714W	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 723 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000400003702G	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 724 Research Institute	Sales of goods and provision of services	12100000426092408R	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 709 Research Institute	Purchase of goods and receipt of services	12100000441623908U	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 707 Research Institute	Purchase of goods and receipt of services	91360402739183968P	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 703 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	121000004140017838	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 704 Research Institute	Purchase of goods and receipt of services	913101041326736000	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 712 Research Institute	Purchase of goods and receipt of services	12100000441623967Y	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 716 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000468047082T	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 717 Research Institute	Sales of goods and provision of services	1210000042000821X1	Public institution
Under the control of the common controlling shareholder and actual controller	China State Shipbuilding Corporation Limited 715 Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	121000004700294065	Public institution
Under the control of the common controlling shareholder and actual controller	Shanghai Marine Diesel Engine Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000425008729F	Public institution

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	CSSC System Engineering Research Institute	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	12100000400000675M	Public institution
Under the control of the common controlling shareholder and actual controller	China Institute of Marine Technology & Economy of China Shipbuilding Group Co., Ltd.	Provision of design and technical services	121000004000004721	Public institution
Under the control of the common controlling shareholder and actual controller	CSIC International Trading (Hong Kong) Co., Ltd.	Sales of goods and provision of services	#5110000#78654532P	Company with limited liability
Under the control of the common controlling shareholder and actual controller	CSIC Diesel Engine Co., Ltd.	Purchase of goods and receipt of services	91370211MA3DKDQ98F	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	Sales of goods and provision of services	91410307MA3X4HHL0N	Ownership by the whole people
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 705 Research Institute	Purchase of goods and receipt of services	12100000435232046K	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 760 Research Institute	Design and technical services	91460200MABMN7C404	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 718 Research Institute	Purchase of goods and receipt of services	911304001055711332	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 713 Research Institute	Purchase of goods and receipt of services	91410100712675452H	Public institution
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 12 Research Institute	Purchase of goods and receipt of services	91610481435721982U	Public institution
Under the control of the common controlling shareholder and actual controller	CSIC Heng Yuan Technology Co., Ltd.	Sales of goods and provision of services	91500101207901922L	Company with limited liability
Under the control of the common controlling shareholder and actual controller	China Shipbuilding Industry Corporation 710 Research Institute	Sales of goods and provision of services	12100000717807370U	Public institution
Under the control of the common controlling shareholder and actual controller	China Ship Development and Design Center	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	121000004416239594	Public institution
Under the control of the common controlling shareholder and actual controller	China Ship Research Institute (China Shipbuilding Corporation Limited 7 Research Institute)	Purchase of goods	12100000400009944H	Public institution
Under the control of the common controlling shareholder and actual controller	Zhongshan GSI Marine Engineering Company Limited	Receipt of leasing	91442000684420937T	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Chongqing Gearbox Co., Ltd.	Purchase of goods and receipt of services	915000002035507235	Company with limited liability

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Type of relationship	Name of other related party	Content of major transactions	Unified Social Credit Identifier	Type of company
Under the control of the common controlling shareholder and actual controller	Chongqing Huayu Electrical Group Limited	Purchase of goods and receipt of services	91500000202826724X	Other company with limited liability
Under the control of the common controlling shareholder and actual controller	Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	Purchase of goods and receipt of services	91500116576196464R	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Chongqing Yuejin Machinery Plant Co., Ltd.	Sales of goods and provision of services	915000002028992618	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Chongqing Changzheng Heavy Industry Co., Ltd.	Purchase of goods and receipt of services	9150000020280308XL	Company with limited liability (Wholly-owned by legal person)
Under the control of the common controlling shareholder and actual controller	Zibo Torch Energy Co., Ltd.	Purchase of goods and receipt of services	91370300164109846C	Company with limited liability (Wholly owned by a legal person invested or controlled by non-natural person)
Associate of controlling shareholder and actual controller	Beijing Rui Chi Fei Si Engineering Consulting Co., Ltd. (Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.)	Purchase of goods and receipt of services	91110105756019617C	Other company with limited liability
Associate of controlling shareholder and actual controller	Guangzhou Shipyard Hospital	Receipt of design and technical services	12440000747580541M	Public institution
Associate of controlling shareholder and actual controller	Guangzhou Wenchong Industrial Co., Ltd.	Receipt of leasing	91440101MA5CK3CP5P	Other company with limited liability

Other explanations: In October 2019, CSSC shipbuilding group performed joint restructuring with China Shipbuilding Industry Corporation (hereinafter referred to as the "CSIC") to newly set up China Shipbuilding Group Co., Ltd.* (中國船舶集團有限公司) (hereinafter referred to as "China Shipbuilding Group"). In November 2019, China Shipbuilding Group was established, and it completed the business registration in the State Administration for Industry and Commerce of the PRC. On 8 November 2019, members of the board of directors, supervisors and senior management of China Shipbuilding Group were appointed, and CSSC shipbuilding group, CSIC and China Shipbuilding Group have the same members of the board of directors, supervisors and senior management. On 29 October 2021, the Company received notification from China Shipbuilding Group, stating that the industrial and commercial change registration for the transfer of 100% equity interest of CSSC and CSIC to China Shipbuilding Group had been completed. Therefore, CSIC and its subsidiaries are also related parties of the Group and their transactions with the Group constitute related party transactions.

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(V) Related party transactions

The Company and CSSC signed the 2023 Connected Continuing Transaction Framework Agreement, whereby both parties provide transactions:

- (1) Provision of products and services by the Group to CSSC, including ship products, electromechanical equipment and metal materials, etc., supply of power, leasing, labor and technical services, etc.;
- (2) Provision of products and services by CSSC to the Group, including marine equipment, electromechanical equipment, ancillary parts and material supplies, etc., leasing, labor and technical services, etc.;
- (3) Provision of guarantee business by CSSC to the Group;
- (4) Provision of sales agency services by CSSC to the Group;
- (5) Provision of procurement agency services by CSSC to the Group, etc.

The Company and CSSC Finance Company Limited ("CSSC Finance") signed the 2023 Financial Services Framework Agreement and supplementary agreement, pursuant to which both parties agreed that CSSC Finance would provide financial services to the Group, including: deposit services, loan services, other and bank credit facility services, foreign exchange services such as forward exchange settlement and sale.

The pricing policy of related party transactions: these transactions shall be conducted on normal commercial terms, on an arm's-length basis and in the ordinary course of business of the Group (where if there is no or there are not enough transactions for comparison to determine whether a transaction between the parties will be conducted on normal commercial terms, the transaction will be conducted on terms no less favourable than those obtained or entitled from independent third parties by the Group (as the case maybe)), and such transactions shall be fair and reasonable to the shareholders of the Group. The parties shall enter into agreements for such transactions setting out pricing bases.

1. Related party transaction in relation to purchase and sale of goods and provision and receipt of services

(1) Purchase of goods/receipt of services

Related party	Content of transaction	Current period	Corresponding period of last year
China National Shipbuilding Equipment & Materials Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and procurement of materials	1,009,785,837.70	111,102,524.26
Hudong Heavy Machinery Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of services	310,566,808.85	114,537,057.83
CSSC Systems Engineering Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., receipt of services, and receipt of design and technical services	284,001,425.00	5,399,000.00
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., procurement of materials, and payment for materials	116,117,401.48	1,018,741,683.96
China Ship Development and Design Center	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of design and technical services	101,112,340.00	
China Shipbuilding Group Co., Ltd. 717 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., procurement of materials, and receipt of services	93,759,867.99	13,457,401.82

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(Unless otherwise stated, amounts are in RMB)

Related party	Content of transaction	Current period	Corresponding period of last year
Shaanxi Diesel Engine Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	79,982,971.69	48,946,012.23
Shanghai Ling Yao Ship Engineering Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., procurement of materials, and receipt of design and technical services	79,819,867.25	1,909,831.70
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Receipt of design and technical services, and receipt of services	78,394,498.40	81,087,621.08
Chongqing Gearbox Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	76,054,000.00	65,314,153.00
China United Shipbuilding Company Limited	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	64,964,654.45	3,745,464.71
Wuhan Marine Machinery Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	51,098,230.08	35,552,878.54
China Shipbuilding Group Co., Ltd. 707 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	25,906,498.00	6,175,311.51
Guangzhou Shipyard International Company Limited	Receipt of design and technical services, and receipt of services	25,523,355.83	22,080,630.32
China Shipbuilding NDRI Engineering Co., Ltd.	Procurement of materials, and receipt of services	23,980,545.80	579,344.41
China Shipbuilding Equipment & Materials Northeast Corporation	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., procurement of materials, and payment for materials	22,101,610.05	1,621,758.18
CSSC Southern China Ship Machinery Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	20,756,136.00	9,196,000.00
Dalian Ship Valve Company Limited	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and procurement of materials	19,143,849.80	292,865.58
China Shipbuilding Group Co., Ltd. 704 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of services	13,812,139.58	12,387,000.63
China Shipbuilding Group Co., Ltd. 703 Research Institute	Receipt of services	13,176,123.89	819,000.00
CSSC Marine Technology Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	13,090,000.00	31,378,600.00
CSSC Marine Power (Zhenjiang) Co. Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	12,672,566.38	
Wuhan Temo Welding Consumables Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	12,528,161.46	

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Related party	Content of transaction	Current period	Corresponding period of last year
Shanghai Merchant Vessel Design and Research Institute	Receipt of services, and receipt of design and technical services	11,750,769.42	13,042,480.58
Anqing CSSC Diesel Engine Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	10,878,218.59	11,769,203.54
Guangzhou Longxue Pipe Co., Ltd.	Receipt of services	10,215,838.09	8,372,505.45
Wuhan Heavy Industry Casting & Forging Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and procurement of materials	10,085,058.40	9,846,010.94
China Shipbuilding Trading Guangzhou Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., procurement of materials, and payment for materials	9,708,674.94	5,541,503.88
China Ship Power Station Equipment Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	9,663,000.00	90,000.00
CSSC Nanjing Luzhou Machine Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of services	7,442,334.00	3,294,829.39
Shanghai Haixun Electrical Engineering Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	7,074,200.00	37,600.00
Guangzhou Guangchuan Offshore Engineering Equipment Co., Ltd.	Procurement of materials, and receipt of services	6,225,247.73	2,451,630.06
China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	5,849,100.00	9,960,000.00
Zhenjiang China Marine-Xiandai Generating Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	5,114,867.27	534,513.28
Henan Diesel Engine Heavy Engineering Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of services	4,265,143.60	4,564,832.93
Guangzhou Shipyard HR Service Co., Ltd.	Receipt of design and technical services, and receipt of services	3,999,072.32	60,784.95
China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and procurement of materials	3,670,606.46	11,059,431.22
CSIC Shanghai Marine Energy Saving Technology Development Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	3,424,778.76	
Jiangxi Chaoyang Machinery Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of services	3,372,953.60	3,859,413.62

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Related party	Content of transaction	Current period	Corresponding period of last year
Marine Design and Research Institute of China	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., procurement of materials, and receipt of design and technical services	2,953,628.32	9,223,900.00
Chongqing Huayu Electrical Group Limited	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	2,780,000.00	4,580.00
China Shipbuilding Group Co., Ltd. 723 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	2,584,000.00	
CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., procurement of materials, and receipt of services	2,500,830.50	1,358,549.47
CSSC Hua Hai Ships Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	2,428,851.21	
China Shipbuilding IT Co., Ltd.	Purchase of fixed assets, and receipt of design and technical services	2,208,630.29	
Shanghai Hunter Marine Equipment Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,902,654.86	
CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and procurement of materials	1,798,885.86	11,415.93
Guangzhou Shipyard Co., Ltd.	Receipt of design and technical services, procurement of materials, and receipt of design and technical services	1,745,394.92	902,441.84
CSIC Zhongnan Equipment Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	1,734,513.27	3,439,898.00
Zhoushan Ship Engineering Research Centre of Shanghai Shipbuilding Technology Research Institute	Purchase of fixed assets	1,613,805.31	
Wuhan Langan Technology Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	1,288,052.02	
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of services	1,254,867.26	1,146,725.66
China Shipbuilding Industry Corporation 715 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	1,250,000.00	69,315,300.00
Xiamen Sunrui Ship Coatings Co., Ltd.	Procurement of marine equipment, electromechanical equipment, ancillary parts and material supplies, etc.	1,244,366.06	170,044.25
China Shipbuilding Trading Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	954,618.33	3,666,417.12

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Related party	Content of transaction	Current period	Corresponding period of last year
CSIC Haisheng Technology Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	660,000.00	4,002,650.00
Chongqing Yuejin Machinery Plant Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	645,036.70	77,034.00
Dalian Shipping Factory Tools Industry Company	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	483,686.09	
Jiangnan Shipyard (Group) Co., Ltd.	Receipt of services	273,912.00	
China Ship Research Institute (China Shipbuilding Group Co., Ltd. 7 Research Institute)	Purchase of fixed assets	261,061.96	261,061.95
Marinequip China Company Limited	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	246,770.69	
China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of design and technical services	236,320.75	14,150.94
China Shipbuilding Industry Corporation 718 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of services	219,000.00	3,851,917.00
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Receipt of design and technical services	186,738.47	944,652.58
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Receipt of design and technical services	174,914.57	173,581.19
China Shipbuilding Group Co., Ltd. 722 Research Institute	Purchase of fixed assets, and receipt of services	175,221.24	145,398.23
Shanghai Huajing Power Station Equipment Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	164,234.51	
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Purchase of fixed assets	144,844.50	66,037.74
CSSC Marine Services Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	132,743.36	
Guangzhou Hongfan Technology Co., Ltd.	Receipt of design and technical services, and procurement of equipment	106,603.77	253,677.46
China Ship News Agency	Receipt of design and technical services	94,339.62	154.87
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and procurement of materials	84,955.75	116,800.00
China Shipbuilding Industry Corporation Information Research Center (China Shipbuilding Group Co., Ltd. 714 Research Institute)	Purchase of fixed assets	54,716.98	6,000.00

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Related party	Content of transaction	Current period	Corresponding period of last year
Beijing Rui Chi Fei Si Engineering Consulting Co., Ltd. (Beijing Ruichi Feisi Engineering Cost Consulting Co., Ltd.)	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	52,530.00	141,466.03
Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of fixed assets	45,121.13	
China Shipbuilding Group Co., Ltd. 716 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	32,035.40	32,676.11
Guangdong GSI Elevator Machinery Equipment Co., Ltd.	Procurement of materials, and receipt of design and technical services	28,018.87	139,473.20
China Institute of Marine Technology & Economy	Receipt of design and technical services	19,245.27	
Technician Training School of Guangzhou Huangpu Shipyard	Receipt of design and technical services	13,560.00	3,603.77
CSSC Beijing Ship Management College	Receipt of design and technical services	11,509.44	18,113.21
CSSC Dalian New Consumables Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and procurement of materials	3,716.81	67,168.14
Shanghai Hudong Shipyard Valve Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.	3,180.00	5,425.00
China Shipbuilding Group Co., Ltd. 724 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		156,910,000.00
China Shipbuilding Industry Corporation 713 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and receipt of services		89,929,000.00
China Shipbuilding Industry Corporation 710 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., receipt of services, and receipt of design and technical services		45,282,450.00
Wuhan Haiyi Science and Technology Limited Company	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		34,143,539.81
China Shipbuilding Group Co., Ltd. 717 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		19,820,000.00
Haiying Enterprises Group Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		14,773,000.00
China Shipbuilding Industry Corporation 705 Research Institute	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		9,656,000.00
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		3,946,397.73

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Related party	Content of transaction	Current period	Corresponding period of last year
Shanghai Dongxin Software Engineering Co., Ltd.	Procurement of materials		3,327,433.81
Shanghai CSSC Lingang Ship Equipment Co., Ltd.	Procurement of materials		3,085,772.62
Guangzhou Ship Industrial Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc., and procurement of materials		2,341,542.96
CSIC Material Trade Group Wuhan Co., Ltd.	Procurement of materials		2,102,748.29
CSSC Jiujiang Boiler Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		1,971,672.56
Zibo Torch Energy Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		991,680.00
Yichang Marine Diesel Co., Ltd.	Procurement of materials		822,504.42
China Shipbuilding Industry Corporation 760 Research Institute	Receipt of design and technical services		700,000.00
Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	Receipt of services		607,600.00
Guangzhou Wencheng Shipbuilding Co., Ltd.	Receipt of services		383,501.89
Shanxi Fenxi Heavy Industry Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		293,360.00
Wuchang Shipbuilding Industry Group Co., Ltd.	Receipt of services		180,840.00
China Shipbuilding Industry Corporation 11 Research Institute	Receipt of services		83,900.00
CSIC Material Trade Group Guangzhou Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		60,674.45
Hebei Hanguang Heavy Industry Co., Ltd.	Receipt of services		28,744.78
Guangzhou Shipyard Hospital	Receipt of design and technical services		8,880.75
CSIC Electrical Machinery Science & Technology Co., Ltd.	Procurement of electromechanical equipment, metallic materials, marine accessories and marine equipment, etc.		2,148.00
China Institute of Marine Technology & Economy of China State Shipbuilding Corporation	Receipt of design and technical services		1,000.00
CSSC Culture Technology (Beijing) Co., Ltd.	Receipt of design and technical services		200.00
Total		2,695,885,868.95	2,159,823,785.36

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Specific pricing method of purchase of goods and receipt of services is as follows:

- 1) Provision of mechanical and electrical equipment and material supplies, etc. at market prices, not higher than those provided by independent third parties;
- 2) Provision of marine accessories, iron outfitting parts, etc. Due to low unit price, sporadic and complicated, and often urgent needs and short lead time, so the unit price is agreed once a year through costing, and the material department of the COMEC will negotiate the order price with the supplier accordingly. If the price of raw materials in the market changes significantly, the COMEC will make appropriate adjustments according to the changes in the market;
- 3) Provision of marine equipment. If there is a member unit of CSSC in the manufacturer lists, the member unit will participate in the competition among two or more manufacturers in the manufacturer list, and the material department of the COMEC will negotiate the price as usual, and the COMEC will determine the price according to the market condition, but it will also consider the supply cycle, manufacturer qualification and service level and other factors to select the manufacturer, but the price will not be less favorable than those of the independent third party supplier. If individual equipment may be supplied by only one affiliated manufacturer due to the limitation of technical specifications or delivery conditions, the COMEC will negotiate the price with the supplier according to the recent contract price of the equipment or the unit price converted according to a certain technical data, combined with the market price of raw materials and other factors, but the price will not be less favorable than the terms and conditions provided by the independent third party supplier;
- 4) Participate in the materials and related logistics and distribution services centrally procured by CSSC, the price of which will not be less favorable than the terms and conditions provided by the independent third party supplier;
- 5) Lease: refers to the production site or dormitory provided by CSSC, the price of receiving leasing is based on market price or cost plus 10% management fee, and the annual cap is based on the total value of the right-to-use assets recognized by CSSC and the total annual depreciation and interest costs calculated on the basis of the taxes payable for leasing production bases and staff quarters;
- 6) Labour services will be priced at market price; the price of comprehensive services will not be less favorable than the terms and conditions provided by independent third parties. The pricing of technical services shall be based on the market price.

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(2) Sale of goods/provision of services

Related party	Content of transaction	Amount for the year	Amount for last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sales of metallic materials and sales of waste materials, and sale of materials	55,405,861.77	45,327,357.97
Guangzhou Shipyard International Company Limited	Sales of electromechanical equipment and metallic materials, and sales of waste materials	36,035,332.02	51,710,581.55
China National Shipbuilding Equipment & Materials Co., Ltd.	Sales of electromechanical equipment and metallic materials, and sales of waste materials	27,212,120.95	
Jiangnan Shipyard (Group) Co., Ltd.	Sales of electromechanical equipment and metallic materials, and sales of waste materials	24,453,308.68	
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	Sales of shipping products, and provision of design and technical services	1,375,425.53	
Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	Sales of metallic materials and sales of waste materials	1,163,580.46	26,696,541.26
CSSC Chengxi Shipbuilding Co., Ltd.	Sales of metallic materials and sales of waste materials	530,973.45	
CSSC Chengxi Yangzhou Shipbuilding Company Limited	Sales of metallic materials and sales of waste materials	530,973.45	
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Provision of services	405,755.31	242,796.90
Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	Sales of metallic materials and sales of waste materials, supply of utilities, and provision of design and technical services	317,284.09	402,568.89
Technician Training School of Guangzhou Huangpu Shipyard	Supply of utilities	69,748.07	186,741.65
Jiangxi Chaoyang Machinery Co., Ltd.	Sales of metallic materials and sales of waste materials	15,257.95	34,442.91
CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	Provision of design and technical services	3,890.42	
China Shipbuilding Trading Shanghai Co., Ltd.	Sales of shipping products		13,977,600.00
China Shipbuilding Group Co., Ltd.	Provision of design and technical services		1,658,207.55
China Shipbuilding IT Co., Ltd.	Provision of design and technical services		614,150.94
CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Provision of leasing		150,554.40
CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	Provision of design and technical services		108,849.56
CSSC Guijiang Shipbuilding Co., Ltd.	Sales of shipping products		90,265.49
Total		147,519,512.15	141,200,659.07

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Specific pricing method of sales of goods and provision of services is as follows:

- 1) Provision of shipping products, electromechanical equipment and metallic materials. The pricing will be based on market prices;
- 2) Supply of utilities. The pricing will be based on the cost plus a 20-25% management fee or on terms no less favourable than those available to independent third parties;
- 3) Leasing, labour supply and technical services. The pricing will be based on terms no less favourable than those available to independent third parties.

2. Receipt of financial services

(1) Deposits

Name of related party	Balance of deposits		Interest income from deposits	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	5,285,165,129.95	6,203,367,651.89	58,661,405.40	42,850,878.89

Pricing principle: The interest rates are based on the benchmark deposit interest rates stipulated by the People's Bank of China, and such rates should be no less favorable than the terms offered by independent third parties.

(2) Loans

Name of related party	Balance of loans		Interest expenses on loans	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	305,000,000.00	305,000,000.00	3,100,833.33	10,790,916.65

Pricing principle: The interest rates are not higher than the lending rates stipulated the People's Bank of China, which should be no less favorable than the terms offered by independent third-party lenders.

(3) Forward exchange settlement (purchase)

Name of related party	Forward exchange settlement (purchase) contract		Gain or loss on change in fair value of forward exchange settlement (purchase) contract		Investment income from forward exchange settlement (purchase)	
	Ending balance	Beginning balance	Current period (RMB)	Last period (RMB)	Current period (RMB)	Last period (RMB)
CSSC Finance Company Limited	US\$217.44 million	US\$245.89 million	4,377,761.96	20,675,436.95	-12,160,338.23	-4,489,867.25

Pricing principle: no less favorable than the charging conditions from the independent third parties.

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(4) *Entrusted wealth management products*

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current period	Last year
CSSC Financial Company Limited				10,920,821.91

Pricing principle: The fee standard should be no less favorable than the fee conditions from the independent third parties.

3. *Related leases*

(1) *The Group as lessor:*

Name of lessee	Type of leased assets	Rental income recognised for the period	Rental income recognised for last period
Zhongshan GSI Marine Engineering Company Limited	Buildings and structures	6,546,600.00	6,546,600.00
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Buildings and structures	884,366.57	
CSSC Guijiang Shipbuilding Jiangxi Chaoyang Machinery Co., Ltd.	Buildings and structures Buildings and structures	114,715.07 23,119.27	
Total		7,568,800.91	6,546,600.00

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(2) The Group as lessee:

	Name of lessor	Type of leased assets	Current period				Corresponding period of last year			
			Rental charges for short-term leases and low-value asset leases that are simplified and variable lease payments that are not included in the measurement of lease liabilities	Rental payments	Increase in right-to-use assets	Interest expense on committed lease liabilities	Rental charges for short-term leases and low-value asset leases that are simplified and variable lease payments that are not included in the measurement of lease liabilities	Rental payments	Increase in right-to-use assets	Interest expense on committed lease liabilities
	Guangzhou Wenchong Industrial Co., Ltd.	Land, buildings and structures	7,260,203.34			184,671.36	7,268,450.82		364,855.23	
	Guangzhou Ship Industrial Co., Ltd.	Buildings and structures	3,775,149.00			465,452.40	3,784,346.76		553,734.08	
	Guangzhou Shipyard International Company Limited	Buildings and structures	1,229,529.84			359,400.12	1,229,529.84		383,060.50	
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Buildings and structures	519,880.02	519,880.02			519,880.02		265.23	
	Dalian Shipbuilding Industry Engineering Company	Buildings and structures	30,356.07	270,656.69						
	Total		550,236.09	13,055,418.89		1,009,523.88	12,802,207.44		1,301,915.04	

Description of related leases: Guangzhou Ship Industrial Co., Ltd. entered into a lease agreement with Huangpu Wenchong and Wenchong Shipyard in relation to land use right, pursuant to which it leased certain land use right at Changzhou Factory owned by it to Huangpu Wenchong for operation. The rent for the land use rights shall be determined based on the principle of asset depreciation, and amortisation of taxes and fees on an annual basis. The rent shall be paid on an annual basis in the form of monetary funds. The term of lease of the land use right shall commence on 1 May 2014 and end on the date on which Huangpu Wenchong finished relocation to Changzhou Factory and commence formal production in the new factory area.

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

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4. Related guarantees

(1) The Group as guarantor:

As of the end of the period, the Group did not provide any guarantee to the related parties.

(2) The Group as guaranteed party:

Name of guarantor	Name of guaranteed party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$8,760,000.00	2020/10/21	2023/5/12	Yes
China Shipbuilding International Trading Co., Ltd.	Huangpu Wenchong	US\$8,760,000.00	2020/10/21	2023/6/28	Yes
China State Shipbuilding Corporation Limited	Huangpu Wenchong	1,120,880,000.00	2020/11/2	2027/6/30	No

Pricing principle: The guarantee fee are charged in accordance with general market practice and at a rate not higher than CSSC's external guarantee rates, and the relevant terms are no less favourable than those offered by independent third-party guarantors.

(3) Guarantees provided within the scope of consolidation of the Group:

Name of guarantor	Name of guaranteed party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
Huangpu Wenchong	Wenchuan Heavy Industrial	RMB300,000,000.00	2022/2/18	2023/1/26	Yes
Huangpu Wenchong	Wenchong Shipyard	RMB290,000,000.00	2021/12/8	2023/6/20	Yes
Huangpu Wenchong	Wenchong Shipyard	RMB100,000,000.00	2022/2/7	2023/1/20	Yes
Huangpu Wenchong	Huangchuan Ocean Engineering	RMB7,758,080.00	2020/4/2	2023/3/31	Yes
Huangpu Wenchong	Huangchuan Ocean Engineering	RMB200,000,000.00	2022/10/14	2023/7/29	No
Huangpu Wenchong	Wenchuan Heavy Industrial	RMB300,000,000.00	2023/4/10	2025/3/1	No

5. Other related party transactions

Type of transaction	Name of related party	Current period	Last period
Sales agency fees	China Shipbuilding Trading Co., Ltd.	4,134,875.42	3,445,739.84
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	2,280,473.70	4,484,313.10
Procurement agency fees	China United Shipbuilding Company Limited		55,351.70
Letters of guarantee	China Shipbuilding Trading Co., Ltd.	2,287,493.76	1,013,601.29
Financial institution handling fees	CSSC Finance Company Limited	796,105.40	558,893.17
Total		9,498,948.28	9,557,899.10

Pricing principle: The sales agency fee (or commission) will generally not exceed 1.5% of the contract amount according to international practice and will be paid in proportion to the progress payment per ship. In addition, the intermediary agent fee from overseas collected by CSSC on behalf of intermediaries will be paid by CSSC on behalf of relevant parties to the intermediaries. The procurement agency fees shall range from 1% to 2% of the contract price according to international practice, which was paid by the COMEC to CSSC. Other financial and bank credit service charges shall be based on the charges stipulated by the People's Bank of China; the financial handling fee standard for bank facility to CSSC Finance shall be no less favourable than the facility terms and conditions provided by independent third party.

6. Related party transactions and connected transactions

The related party transactions mentioned in 1 to 5 above constitute connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules in Hong Kong, and are disclosed in details in the Related Party Transaction section in the Directors' Report as required.

7. Related party transactions between the Company and its subsidiaries

None.

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(Unless otherwise stated, amounts are in RMB)

(VI) Receivables from and payables to related parties

1. Receivables

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Cash at bank and on hand – Accrued interest		41,287,316.64		58,593,444.17	
	CSSC Finance Company Limited	41,287,316.64		58,593,444.17	
Notes receivable				808,450.00	
	Guangzhou Shipyard International Company Limited			808,450.00	
Accounts receivable		90,051,208.07		73,440,566.48	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	21,142,842.69		23,657,384.64	
	Jiangnan Shipyard (Group) Co., Ltd.	20,668,875.60		225,737.84	
	Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	19,016,786.21			
	China Shipbuilding Trading Co., Ltd.	16,739,000.00		16,739,000.00	
	Guangzhou Shipyard International Company Limited	6,815,288.10		13,298,516.93	
	CSSC Guangxi North Bay Ship and Marine Engineering Design Co., Ltd.	1,600,000.00			
	Zhongshan GSI Marine Engineering Company Limited	1,102,109.68			
	CSSC Guijiang Shipbuilding Co., Ltd.	1,005,794.41		1,778,447.24	
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	780,000.00			
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	473,732.70		198,709.82	
	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	281,999.99			
	China National Shipbuilding Equipment & Materials Co., Ltd.	169,150.00			
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	123,000.00		123,000.00	
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	80,000.00		80,000.00	

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Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	CSSC Chengxi Yangzhou Shipbuilding Company Limited	30,000.00			
	Beijing Shipbuilding Information Technology Co., Ltd.	21,500.00		809,000.00	
	Jiangxi Chaoyang Machinery Co., Ltd.	1,110.23			
	China Shipbuilding Equipment & Materials Northeast Corporation	18.46		18.46	
	China Ship Development and Design Center			13,045,000.00	
	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.			3,125,725.00	
	China Shipbuilding Group Co., Ltd. 703 Research Institute			291,000.00	
	CSSC Chengxi Shipbuilding Co., Ltd.			69,026.55	
Prepayments		1,865,282,197.08		1,814,452,713.35	
	Hudong Heavy Machinery Co., Ltd.	539,717,125.75		529,134,258.48	
	China Shipbuilding Trading Co., Ltd.	475,712,834.48		410,191,572.06	
	China National Shipbuilding Equipment & Materials Co., Ltd.	413,003,331.04		315,901,027.82	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	122,039,933.91		112,258,035.89	
	Anqing CSSC Diesel Engine Co., Ltd.	88,526,526.73		84,505,376.29	
	China Shipbuilding Equipment & Materials Northeast Corporation	56,881,111.67		48,117,162.68	
	China Shipbuilding NDRI Engineering Co., Ltd.	25,225,943.98		25,225,943.98	
	China Shipbuilding Group Co., Ltd. 723 Research Institute	19,902,000.00			
	China Ship Development and Design Center	17,760,000.00		17,760,000.00	
	CSSC Southern China Ship Machinery Co., Ltd.	17,085,233.42		3,750,000.00	
	CSIC International Trading (Hong Kong) Co., Ltd.	15,949,831.50		11,046,997.50	
	Shanghai Marine Diesel Engine Research Institute	12,188,700.00		23,228,565.44	
	China Shipbuilding Group Co., Ltd. 717 Research Institute	11,404,900.00		42,257,900.00	
	China Shipbuilding Group Co., Ltd. 716 Research Institute	11,212,295.05		1,912,808.57	
	China Shipbuilding Group Co., Ltd. 724 Research Institute	10,667,400.00		10,667,400.00	
	Shaanxi Diesel Engine Co., Ltd.	5,774,570.16		43,214,028.95	

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From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	CSSC Jiujiang Boiler Co., Ltd.	4,618,980.63		10,196,830.30	
	China Shipbuilding Group Co., Ltd. 704 Research Institute	3,744,000.00		2,258,261.71	
	China Shipbuilding Industry Corporation 710 Research Institute	3,600,000.00		3,600,000.00	
	Shanghai Seven Science & Technology Engineering Co., Ltd.	3,509,584.00			
	Wuhan Marine Machinery Co., Ltd.	2,501,296.34		21,170,475.10	
	Shanghai Xincheng Huahai International Trade Development Co., Ltd.	1,526,179.47		393,162.00	
	Marinequip China Company Limited	1,093,265.20		1,093,265.20	
	China Shipbuilding Trading (BVI) Co., Ltd.	594,613.16			
	CSSC SDARI Energy Saving Technology (Shanghai) Company Limited	486,000.00			
	China Shipbuilding Trading Shanghai Co., Ltd.	346,268.55		351,668.55	
	Chongqing Yuejin Machinery Plant Co., Ltd.	159,680.00		804,716.70	
	Guangzhou Shipyard International Company Limited	29,062.04		23,755.44	
	Jiangxi CSSC Navigation Instrument Co., Ltd.	15,860.00		15,860.00	
	CSIC Heng Yuan Technology Co., Ltd.	5,670.00		5,670.00	
	Shanghai Ling Yao Ship Engineering Co., Ltd.			83,994,620.69	
	Zhenjiang China Marine-Xiandai Generating Co., Ltd.			4,500,000.00	
	CSIC Shanghai Marine Energy Saving Technology Development Co., Ltd.			2,580,000.00	
	Suzhou Jianghai Communication Co., Ltd.			1,896,250.00	
	CSSC Marine Power (Zhenjiang) Co. Ltd.			1,198,600.00	
	Shanghai Hunter Marine Equipment Co., Ltd.			645,000.00	
	CSIC Haisheng Technology Co., Ltd.			242,500.00	
	Haifeng Navigation Technology Co., Ltd.			211,000.00	
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.			100,000.00	
Other receivables		4,235,748.15		2,460,385.77	
	Guangzhou Wenchong Industrial Co., Ltd.	1,688,136.33		999,117.46	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	362,336.17			

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From 1 January 2023 to 30 June 2023
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Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Wuchang Shipbuilding Industry Group Co., Ltd.	303,016.10		200,730.20	
	CSSC Huangpu Zhengli Offshore Engineering Co., Ltd.	245,121.56			
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	225,348.00		225,348.00	
	CSSC Marine Equipment Innovation Park Investment Co., Ltd.	205,343.63		205,343.63	
	CSSC Financial Leasing (Shanghai) Co., Ltd.	204,086.88			
	Guangzhou Shipyard International Company Limited	192,654.10		402,637.55	
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	190,108.14			
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.	137,226.33		36,017.80	
	Guangzhou Ship Industrial Co., Ltd.	120,000.00			
	Guangzhou Xinhang Human Resources Service Co., Ltd.	113,283.82			
	China Institute of Marine Technology & Economy of China Shipbuilding Group Co., Ltd.	109,300.00			
	China Shipbuilding Group Co., Ltd.	54,562.76		101,083.99	
	CSSC Beijing Ship Management College	30,740.00		288,540.00	
	China Institute of Marine Technology & Economy of China State Shipbuilding Corporation	28,000.00			
	China Shipbuilding Industry Corporation Information Research Center (China Shipbuilding Group Co., Ltd. 714 Research Institute)	13,400.00			
	China Ship News Agency Kindergarten of Guangzhou Huangpu Shipyard	11,700.00		487.62	
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	1,384.33		1,079.52	
Contract assets		8,765,716.90		24,152,250.30	
	Guangdong Marine Equipment and Offshore Wind Power Research Center Co., Ltd.	4,261,383.49		19,436,569.71	
	Guangzhou Shipyard International Company Limited	4,097,365.78		3,853,372.09	
	China National Shipbuilding Equipment & Materials Southwest Co., Ltd.	273,225.00		277,500.00	

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From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Jiangnan Shipyard (Group) Co., Ltd.	65,254.88			
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	48,987.75		48,987.75	
	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	19,500.00		19,500.00	
	Zhongshan GSI Marine Engineering Company Limited			428,820.75	
	China Shipbuilding IT Co., Ltd.			87,500.00	
Other non-current assets		52,150,291.67		53,871,633.43	
	Guangzhou Shipyard International Company Limited	52,150,291.67		53,871,633.43	
Total		2,061,772,478.51		2,027,779,443.50	

2. Payables

Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
Notes payable		1,095,516,316.82	1,775,336,908.25
	China National Shipbuilding Equipment & Materials Co., Ltd.	643,804,821.12	394,046,818.06
	Hudong Heavy Machinery Co., Ltd.	234,682,000.00	226,421,800.00
	China Ship Development and Design Center	44,190,000.00	59,936,100.00
	Anqing CSSC Diesel Engine Co., Ltd.	34,600,000.00	22,620,000.00
	China Shipbuilding Group Co., Ltd. 723 Research Institute	28,682,000.00	57,428,000.00
	China Shipbuilding Group Co., Ltd. 716 Research Institute	21,532,000.00	46,326,650.00
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	16,204,635.84	43,142,338.65
	Dalian Ship Valve Company Limited	15,474,266.65	20,074,154.86
	China Shipbuilding Group Co., Ltd. 709 Research Institute	10,860,000.00	83,422,210.00
	Shanghai Marine Diesel Engine Research Institute	10,754,000.00	68,882,490.00
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	7,904,000.00	13,669,780.00
	China Shipbuilding Equipment & Materials Northeast Corporation	6,825,968.94	19,019,770.95
	CSSC Marine Power (Zhenjiang) Co. Ltd.	5,728,000.00	
	Guangzhou Shipyard HR Service Co., Ltd.	3,683,499.42	6,696,759.77
	China Shipbuilding Trading Guangzhou Co., Ltd.	2,303,676.50	2,756,471.52
	China Shipbuilding Group Co., Ltd. 707 Research Institute	1,828,940.00	23,616,810.00
	Guangzhou Longxue Pipe Co., Ltd.	1,808,108.35	2,595,926.96
	China Shipbuilding Group Co., Ltd. 704 Research Institute	1,542,400.00	108,743,252.25
	Shanghai Ling Yao Ship Engineering Co., Ltd.	1,170,000.00	214,500.00
	Systems Engineering Research Institute of China Shipbuilding Group Co., Ltd.	1,004,000.00	341,751,280.00
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	934,000.00	
	China Shipbuilding Group Co., Ltd. 726 Research Institute		69,420,000.00
	China Shipbuilding Industry Corporation 713 Research Institute		42,011,000.00
	China Shipbuilding Group Co., Ltd. 717 Research Institute		27,457,600.00
	China Shipbuilding Group Co., Ltd. 724 Research Institute		27,060,000.00
	China Shipbuilding Group Co., Ltd. 715 Research Institute		20,400,000.00
	Wuhan Marine Machinery Co., Ltd.		13,192,000.00
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)		13,037,145.23

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Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	CSSC Marine Technology Co., Ltd.		7,486,000.00
	China Shipbuilding Industry Corporation 710 Research Institute		4,810,000.00
	China Shipbuilding Industry Corporation 718 Research Institute		4,322,750.00
	CSIC Haisheng Technology Co., Ltd.		3,402,650.00
	CSSC Jiujiang Boiler Co., Ltd.		1,372,650.00
Accounts payables		2,040,985,662.01	1,697,785,249.56
	Systems Engineering Research Institute of China Shipbuilding Group Co., Ltd.	684,305,995.64	679,214,121.65
	China Shipbuilding Group Co., Ltd. 704 Research Institute	195,496,439.26	98,548,537.11
	Guangzhou Wenchong Industrial Co., Ltd.	130,912,787.63	126,222,985.38
	China Shipbuilding Group Co., Ltd. 715 Research Institute	89,527,600.00	94,977,600.00
	China Ship Development and Design Center	80,405,801.36	15,964,428.09
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	75,071,721.09	84,514,927.81
	China Shipbuilding Group Co., Ltd. 703 Research Institute	64,275,830.00	62,809,430.00
	Chongqing Gearbox Co., Ltd.	60,943,911.00	27,133,911.00
	China Shipbuilding Industry Corporation 713 Research Institute	59,728,318.18	41,116,935.00
	Guangzhou Ship Industrial Co., Ltd.	58,490,358.47	54,715,209.47
	China Shipbuilding Group Co., Ltd. 707 Research Institute	47,237,586.81	27,816,519.52
	China Ship Power Station Equipment Co., Ltd.	32,810,600.00	9,578,600.00
	China Shipbuilding Group Co., Ltd. 726 Research Institute	31,979,500.00	32,549,000.00
	China Shipbuilding Group Co., Ltd. 709 Research Institute	27,848,270.00	22,728,270.00
	Marine Design and Research Institute of China	26,329,164.10	15,844,200.00
	China United Shipbuilding Company Limited	26,226,629.32	27,342,947.03
	China Shipbuilding NDRI Engineering Co., Ltd.	22,269,628.26	2,297,646.26
	Shanghai Marine Diesel Engine Research Institute	21,292,140.91	1,442,300.00
	Shanghai Haixun Electrical Engineering Co., Ltd.	21,121,649.53	14,825,549.53
	China Shipbuilding Group Co., Ltd. 722 Research Institute	20,578,250.00	
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	19,672,277.31	46,461,853.00
	CSSC Marine Technology Co., Ltd.	18,150,216.24	4,763,216.24
	Wuhan Haiyi Science and Technology Limited Company	17,578,084.07	7,186,755.17
	Guangzhou Shipyard International Company Limited	16,859,241.50	31,178,347.54
	Guangzhou Xinhang Human Resources Service Co., Ltd.	15,040,606.68	
	China Shipbuilding Industry Corporation 705 Research Institute	14,060,000.00	7,440,000.00
	China Shipbuilding Industry Corporation 718 Research Institute	13,963,903.54	3,231,950.00
	Wuhan Temo Welding Consumables Co., Ltd.	13,139,854.88	3,426,859.00
	China Ship Research Institute (China Shipbuilding Group Co., Ltd. 7 Research Institute)	10,659,700.00	10,770,200.00
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	10,436,464.95	5,549,222.44
	CSSC Jiujiang Fire Fighting Equipment Co., Ltd.	10,114,573.33	2,087,164.99
	Nanjing CSSC Oasis Machine Co., Ltd.	9,122,096.00	5,490,056.00
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	6,013,600.00	6,287,555.75
	China National Shipbuilding Equipment & Materials Co., Ltd.	5,644,632.09	
	Guangzhou Guangchuan Offshore Engineering Equipment Co., Ltd.	5,283,962.91	3,605,774.40
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	5,236,867.22	1,691,970.46
	Guangzhou Longxue Pipe Co., Ltd.	5,207,297.01	3,249,969.34
	CSSC Luzhou Zhenjiang Marine Auxiliary Machinery Co., Ltd.	4,630,993.12	4,880,201.35
	Shanghai Starr Ship Ocean Engineering Service Co., Ltd.	4,312,475.59	1,467,586.21
	China Shipbuilding Trading Guangzhou Co., Ltd.	4,037,566.73	10,956,053.21
	Dalian Ship Valve Company Limited	3,807,156.66	2,863,669.72
	Haiying Enterprises Group Co., Ltd.	3,714,500.00	4,144,500.00
	Shanghai Hudong Shipyard Valve Co., Ltd.	3,573,130.21	1,830,993.41
	Chongqing Huayu Electrical Group Limited	2,867,795.58	40,000.00

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Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	Jiangxi Chaoyang Machinery Co., Ltd.	2,766,926.25	2,688,551.13
	CSSC Hua Hai Ships Equipment Co., Ltd.	2,483,812.18	185,000.00
	CSIC Shanghai Marine Energy Saving Technology Development Co., Ltd.	2,431,592.92	
	Beijing the Great Wall Electronic Equipment Co., Ltd.	2,100,000.00	6,679,000.00
	Shanghai Dongxin Software Engineering Co., Ltd.	1,883,457.96	3,405,857.96
	Zhenjiang China Marine-Xiandai Generating Co., Ltd.	1,844,380.47	381,890.82
	Marinequip China Company Limited	1,522,814.90	7,996,849.11
	Guangzhou Shipyard HR Service Co., Ltd.	1,435,346.44	722,302.50
	Wuhan Lingan Technology Co., Ltd.	1,412,431.33	1,300,650.00
	Wuhan Kawasaki Marine Machinery Co., Ltd.	1,360,000.00	114,000.00
	Shanghai Ling Yao Ship Engineering Co., Ltd.	1,180,113.82	
	China Shipbuilding Group Co., Ltd. 717 Research Institute	1,180,000.00	2,880,000.00
	China Shipbuilding Group Co., Ltd. 712 Research Institute	1,173,000.00	503,000.00
	Xiamen Sunrui Ship Coatings Co., Ltd.	1,152,344.22	895,291.17
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	1,017,693.32	2,129,759.68
	China National Shipbuilding Equipment & Materials (East China) Co., Ltd.	988,113.00	4,790,028.00
	Harbin Guanghan Power Transmission Co., Ltd.	910,000.00	910,000.00
	Zhongshan GSI Marine Engineering Company Limited	871,354.50	871,354.50
	Yichang Marine Diesel Co., Ltd.	865,151.73	865,151.73
	Shanghai Hunter Marine Equipment Co., Ltd.	838,116.97	730,616.97
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	822,991.38	2,586,879.31
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	694,126.95	694,126.95
	Guangzhou Shipyard Co., Ltd.	635,359.61	1,339,303.40
	Henan Diesel Engine Heavy Engineering Co., Ltd.	572,979.98	427,146.67
	Shanghai Shenbo Information System Engineering Co., Ltd.	571,060.00	12,574,073.44
	CSIC Zhongnan Equipment Co., Ltd.	515,800.00	2,332,313.27
	Guangzhou Hongfan Technology Co., Ltd.	455,540.20	2,910,574.59
	China Shipbuilding IT Co., Ltd.	441,316.86	454,292.05
	CSSC Jiujiang Boiler Co., Ltd.	438,362.00	451,362.00
	CSIC Haisheng Technology Co., Ltd.	387,500.00	
	CSIC Material Trade Group Guangzhou Co., Ltd.	384,458.94	384,458.94
	China Shipbuilding Industry Complete Logistics Co., Ltd.	376,716.86	376,716.86
	China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	360,524.90	360,524.90
	Wuhan Huazhongtianqin Defense Technology Co., Ltd.	356,603.76	356,603.76
	CSIC Chongqing Changping Machinery Co., Ltd.	344,280.00	104,280.00
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	334,549.33	341,624.53
	Chongqing Changzheng Heavy Industry Co., Ltd.	329,223.40	147,823.40
	Dalian Shipping Factory Tools Industry Company	309,279.45	906,753.02
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	295,577.00	541,410.90
	Suzhou Jianghai Communication Co., Ltd.	264,050.00	
	China Shipbuilding Trading Co., Ltd.	247,214.87	247,214.87
	China Shipbuilding Industry Corporation 710 Research Institute	220,000.00	3,998,000.00
	CSSC Finance Company Limited	193,400.00	83,000.00
	CSSC Dalian Marine Propeller Co., Ltd.	192,650.56	169,641.71
	Shanghai Huajing Power Station Equipment Co., Ltd.	186,610.64	51,025.64
	Beijing Leiying Electronic Technology Development Co., Ltd.	186,000.00	246,000.00
	CSSC Marine Services Co., Ltd.	150,000.00	
	Technician Training School of Guangzhou Huangpu Shipyard	138,223.86	138,223.86
	Chongqing Jiangjin Shipbuilding Industry Co., Ltd.	120,000.00	120,000.00
	Anqing CSSC Diesel Engine Co., Ltd.	94,617.09	30,280.09
	Jiangxi CSSC Valve Complete Equipment Co., Ltd.	93,972.77	93,972.77
	Zibo Torch Energy Co., Ltd.	91,243.96	91,243.96
	Wah-Chang International Marine Industry Company Limited	89,767.71	89,767.71
	Guangdong GSI Elevator Machinery Equipment Co., Ltd.	86,975.00	409,975.00
	Jiujiang Precision Testing Technology Research Institute	82,613.70	82,613.70

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Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	CSSC Electronic Technology (Sanya) Co., Ltd.	80,000.00	80,000.00
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	77,723.52	55,370.00
	China Shipbuilding Equipment & Materials Northeast Corporation	63,455.00	84,805.80
	CSIC Diesel Engine Co., Ltd.	56,637.17	56,637.17
	Haifeng Navigation Technology Co., Ltd.	53,805.31	150,244.96
	CSSC Marine Power (Zhenjiang) Co. Ltd.	48,188.22	618,000.00
	Hubei Siant Technology Co., Ltd.	47,910.00	
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	27,558.00	27,558.00
	CSSC Dalian New Consumables Co., Ltd.	23,211.11	26,601.11
	Anqing Marine Electric Co., Ltd.	18,000.00	18,000.00
	China Shipbuilding Industry Corporation 12 Research Institute	17,150.00	17,150.00
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	Shanghai Hengtuo Industrial Development Co., Ltd.	1,282.05	1,282.05
	CSSC Southern China Ship Machinery Co., Ltd.	1,050.00	3,985,766.58
	Shanghai Qiyao Heavy Industry Co., Ltd.	0.28	3,419.08
	China Shipbuilding Group Co., Ltd. 723 Research Institute		12,284,000.00
	China Shipbuilding Trading (BVI) Co., Ltd.		625,043.86
	Dalian Shipbuilding Industry Engineering Company		240,300.62
	KSEC Intelligent Technology Co., Ltd.		47,250.00
	CSIC Tianhe Ship Equipment Jiangsu Co., Ltd.		16,000.00
Contract liabilities		22,643,740.21	187,989,893.96
	Guangzhou Shipyard International Company Limited	22,599,475.76	25,279,147.07
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	26,727.10	
	Yinghui South Marien Tower (Guangzhou Fanyu) Co., Ltd.	17,537.35	
	CSSC (Hong Kong) Shipping Company Limited		153,225,930.97
	Jiangnan Shipyard (Group) Co., Ltd.		6,097,013.45
	Marine Design and Research Institute of China		1,569,811.32
	China Ship Development and Design Center		1,056,584.07
	China Shipbuilding Group Co., Ltd. 703 Research Institute		761,407.08
Other payables		9,780,993.87	44,180,448.24
	China Shipbuilding Group Co., Ltd. 703 Research Institute	2,666,100.00	2,666,100.00
	Marine Design and Research Institute of China	2,064,960.00	960.00
	Shanghai Marine Diesel Engine Research Institute	1,153,900.00	203,900.00
	China Shipbuilding Group Co., Ltd. 717 Research Institute	850,000.00	850,000.00
	Dalian Shipbuilding Industry Engineering Company, Shipbuilding Plant	702,700.00	1,002,700.00
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	535,511.58	535,511.58
	CSSC Finance Company Limited	400,000.00	400,000.00
	China Shipbuilding Industry Corporation 705 Research Institute	280,000.00	
	China Shipbuilding NDRI Engineering Co., Ltd.	216,750.00	216,750.00
	Shanghai CSSC Lingang Ship Equipment Co., Ltd.	203,400.00	203,400.00
	Jiangxi Chaoyang Machinery Co., Ltd.	200,000.00	200,000.00
	Technician Training School of Guangzhou Huangpu Shipyard	112,500.00	
	China Shipbuilding Group Co., Ltd. 722 Research Institute	110,000.00	110,000.00
	China Shipbuilding Equipment & Materials Northeast Corporation	84,000.00	
	China Shipbuilding Industry Corporation 725 Research Institute (Luoyang Ship Material Research Institute)	80,000.00	80,000.00
	Wuhan Heavy Industry Casting & Forging Co., Ltd.	59,000.00	59,000.00
	China Shipbuilding Group Co., Ltd. 726 Research Institute	44,000.00	44,000.00
	China Shipbuilding Trading Co., Ltd.	9,114.22	9,114.22
	Qingdao Shuangrui Marine Environment Engineering Co., Ltd.	4,000.00	4,000.00

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Item	Related party	Book balance as at the end of the year	Book balance as at the beginning of the year
	China Shipbuilding Industry Complete Logistics Co., Ltd.	3,226.74	3,226.74
	CSSC Financial Leasing (Shanghai) Co., Ltd.	1,831.33	1,831.33
	Guangzhou Wenchong Industrial Co., Ltd.		32,000,000.00
	Wuhan Marine Machinery Co., Ltd.		5,244,785.70
	CSSC Southern China Ship Machinery Co., Ltd.		343,000.00
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.		967.46
	CSSC Jiujiang Marine Equipment (Group) Co., Ltd.		801.21
	CSSC Beijing Ship Management College		400.00
Short-term borrowings		371,000,000.00	845,000,000.00
	CSSC Finance Company Limited	305,000,000.00	305,000,000.00
	China State Shipbuilding Corporation Limited	66,000,000.00	540,000,000.00
Interests on short-term borrowings		194,416.67	566,833.35
	CSSC Finance Company Limited	159,583.34	170,833.34
	China State Shipbuilding Corporation Limited	34,833.33	396,000.01
Long-term borrowings due with one year		1,050,000,000.00	1,092,000,000.00
	China State Shipbuilding Corporation Limited	1,050,000,000.00	1,092,000,000.00
Interests on long-term borrowings due with one year		665,833.33	771,466.67
	China State Shipbuilding Corporation Limited	665,833.33	771,466.67
Long-term borrowings		1,577,800,000.00	2,181,000,000.00
	China State Shipbuilding Corporation Limited	1,567,800,000.00	2,181,000,000.00
	China Shipbuilding Group Co., Ltd.	10,000,000.00	
Interests on long-term borrowings		670,806.67	1,229,910.00
	China State Shipbuilding Corporation Limited	670,806.67	1,229,910.00
Lease liabilities due within one year		7,179,228.66	22,522,793.62
	Guangzhou Ship Industrial Co., Ltd.	5,402,570.48	19,562,113.28
	Guangzhou Shipyard International Company Limited	1,776,658.18	1,752,336.47
	Guangzhou Wenchong Industrial Co., Ltd.		1,208,343.87
Lease liabilities		48,235,946.82	51,827,444.04
	Guangzhou Ship Industrial Co., Ltd.	24,477,664.65	27,174,710.44
	Guangzhou Shipyard International Company Limited	23,758,282.17	24,652,733.60
	Total	6,224,672,945.06	7,900,210,947.69

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

3. Receivables of the Company from its subsidiaries

None.

4. Payables of the Company to its subsidiaries

Item	Related party	Book balance at the end of period	Book balance at the beginning of period
Accounts payables			5,228,365.75
	Wenchong Industrial		5,228,365.75
	Total		5,228,365.75

(VII) Remuneration of Directors, Supervisors and key management

1. Details of the remuneration of Directors and Supervisors are as follows

Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Current period					
Executive Directors					
Han Guangde					
Chen Zhongqian					
Chen Liping (General Manager)		273,600.00	43,785.32	58,547.20	375,932.52
Xiang Huiming		322,602.00	39,291.14	40,921.20	402,814.34
Chen Ji					
Non-executive Directors					
Gu Yuan					
Yu Shiyong	100,000.00				100,000.00
Lin Bin	100,000.00				100,000.00
Nie Wei	100,000.00				100,000.00
Li Zhijian	100,000.00				100,000.00
Sub-total of Directors	400,000.00	596,202.00	83,076.46	99,468.40	1,178,746.86
Supervisors					
Chen Shuofan					
Chen Shu	60,000.00				60,000.00
Zhu Weibin	60,000.00				60,000.00
Zhang Qinghuan					
Li Kai		237,636.07	39,291.14	40,921.20	317,848.41
Sub-total of Supervisors	120,000.00	237,636.07	39,291.14	40,921.20	437,848.41
Total	520,000.00	833,838.07	122,367.60	140,389.60	1,616,595.27

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, amounts are in RMB)

Item	Fees of Directors and Supervisors	Salaries, subsidies, allowances and bonuses	Social insurance and housing fund	Pension	Total
Corresponding period of last year					
Executive Directors					
Han Guangde					
Chen Zhongqian					
Chen Liping (General Manager)		282,600.00	38,179.16	49,623.90	370,403.06
Xiang Huiming		292,602.00	37,118.14	38,246.90	367,967.04
Chen Ji					
Non-executive Directors					
Gu Yuan					
Yu Shiyong	100,000.00				100,000.00
Lin Bin	100,000.00				100,000.00
Nie Wei	100,000.00				100,000.00
Li Zhijian	100,000.00				100,000.00
Sub-total of Directors	400,000.00	575,202.00	75,297.30	87,870.80	1,138,370.10
Supervisors					
Chen Shuofan					
Chen Shu	60,000.00				60,000.00
Zhu Weibin	60,000.00				60,000.00
Zhang Qingzhen					
Li Kai		164,862.84	37,118.14	33,072.90	235,053.88
Sub-total of Supervisors	120,000.00	164,862.84	37,118.14	33,072.90	355,053.88
Total	520,000.00	740,064.84	112,415.44	120,943.70	1,493,423.98

Other explanations: There is no discretionary bonus distributed to Directors and Supervisors during the period and corresponding period of last year. Some of the Directors are appointed by CSSC and their remuneration is paid by other companies.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

2. Top five paid individuals

Of the top five paid individuals for the year, 2 are Directors, 3 are senior management of the Company and subsidiaries (corresponding period of last year: 2 Director, 3 senior management of the Company and subsidiaries). The remuneration of Directors and Supervisors are set out in the above "Remunerations of Directors and Supervisors". The remuneration paid to the other 3 individuals during the period is as follows:

Item	Current period	Corresponding period of last year
Salaries, subsidies, allowances and bonuses	839,100.00	781,126.00
Social insurance and housing fund	121,802.42	112,353.00
Pension	131,811.60	124,098.70
Total	1,092,714.02	1,017,577.70

Band of remuneration:

Item	Number of persons for the period	Number of persons for the corresponding period of last year
Less than HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000		
HK\$1,500,001 to HK\$2,000,000		
HK\$2,000,001 to HK\$2,500,000		

Other explanations: There is no discretionary bonus distributed to the five highest paid individuals during the period and corresponding period of last year.

3. During the track record period, no Director had waived or agreed to waive any remuneration. During the track record period, no emoluments were paid by the Company to any of the Directors, Supervisors or five highest-paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

4. Remuneration of key management

The remuneration of key management, including those paid or payable to Directors, Supervisors and senior management, is as follows:

Item	Current period	Corresponding period of last year
Salaries, subsidies, allowances and bonuses	1,821,178.07	1,724,794.84
Social insurance and housing fund	207,598.44	188,649.62
Pension	240,670.00	207,699.50
Total	2,269,446.51	2,121,143.96

(VIII) Amount due from Directors/affiliates of Directors

1. Amount due from Directors/affiliates of Directors to the Company

As of the end of the period, the Group had no amount due from Directors/affiliates of Directors.

2. Amount due from directors/affiliates of directors for which the Company has provided guarantee

As of the end of the period, the Group had no amount due from Directors/affiliates of Directors for which the Company has provided guarantee.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

XI. SHARE-BASED PAYMENTS

As of the end of the period, the Group had no share-based payments.

XII. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

1. Capital expenditure commitments

Capital expenditure commitments that have been contracted but not yet required to be listed on the balance sheet:

Type	Period-end amount
Buildings, structures, machinery and equipment	140,167,100.00
Intangible assets	4,801,700.00
Total	144,968,800.00

2. Pledge of assets

As at the end of the period, the Group did not have any pledge of assets.

3. Undue guarantees and letter of credit

As at the end of the period, the Group's issued but undue letters of guarantee were:

Type of letters of guarantee	RMB	USD	HKD
Letters of performance guarantee	365,636,544.40	4,254,250.00	
Letters of advancement payment guarantee	374,604,723.93	472,699,900.00	
Letters of warranty guarantee	33,401,444.27		
Letters of customs duties guarantee	98,600,000.00		
Non-financing guarantee	565,056.00		
Total	872,807,768.60	476,954,150.00	

As at the end of the period, the Group's issued but undue letters of credit amounted to RMB0, US\$14,195,500.00 and EUR2,330,300.00.

4. Outstanding foreign exchange option transactions

The Group attaches great importance to the study of exchange rate risk management policies and strategies, and in order to prevent exchange rate risks, it entered into forward foreign exchange contracts (forward settlement and sale of foreign exchange), foreign exchange swaps, and foreign exchange option trading portfolio contracts with banks. At the end of the period, there were a total of 152 undelivered forward settlements with an amount of US\$1,638.87 million, which the longest delivery period is up to 26 October 2026. There was a total of 0 undelivered swap. There were 46 undelivered option portfolios with an amount of US\$196.62 million, which the longest delivery period is up to 23 December 2024.

5. Fulfilment of previous commitments

The settlement of forward contracts of letters of guarantee can be done by the Group according to agreement.

Saved for the aforementioned commitments, the Group had no other major commitments as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

XIII. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no discloseable events after the reporting period.

XIV. CAPITAL MANAGEMENT

The main objectives of the Group's capital management are:

- To ensure the Group's ability to continue as a going concern so as to continuously provide returns to shareholders and other stakeholders; and
- To price the products and services according to the risk level so as to provide adequate returns to shareholders.

The Group sets the capital amount in proportion to risk, manages and adjusts the capital structure based on changes in the economic environment and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or the capital returned to shareholders, issue new shares or sell assets to reduce liabilities.

The Group monitors capital based on the adjusted debt-to-capital ratio.

The adjusted debt-to-capital ratio of the Group on the balance sheet date is as follows:

	Ending balance	Beginning balance
Short-term borrowings	1,605,943,583.33	2,881,008,138.92
Long-term borrowings	1,725,816,000.00	2,230,247,510.00
Financial liabilities held-for-trading	43,757,562.10	5,919,716.73
Lease liabilities	104,925,477.30	114,585,384.56
Non-current liabilities due within one year	1,120,505,475.10	1,459,215,392.42
Less: Cash at bank and on hand	9,891,953,817.90	14,813,771,761.29
Financial assets held-for-trading	4,939,799.96	29,872,972.39
Adjusted net liabilities	-5,295,945,520.03	-8,152,668,591.05
Owners' equity	20,115,991,674.40	18,751,752,604.54
Adjusted capital	20,115,991,674.40	18,751,752,604.54
Adjusted debt-to-capital ratio	-26.33%	-43.48%

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

XV. OTHER SIGNIFICANT EVENTS

(I) Correction of previous accounting errors

1. Retrospective restatement method

During the Reporting Period, there were no corrections of previous accounting errors that adopted the retrospective restatement method.

2. Future applicable method

During the Reporting Period, there were no corrections of previous accounting errors that adopted the future applicable method.

(II) 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 reporting segment 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 period

Current period

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance segment	Others segment	Inter-segment elimination	Total
Operating income	7,717,425,611.63	599,930,397.85	4,740,291.94	335,459,726.96	-2,675,222,225.34	5,982,333,803.04
Including: Revenue from external transactions	5,178,498,844.39	512,918,901.41	825,015.33	290,091,041.91		5,982,333,803.04
Revenue from inter-segment transactions						
Operating costs	2,538,926,767.24	87,011,496.44	3,915,276.61	45,368,685.05	-2,675,222,225.34	5,611,512,672.88
Costs for the period	7,476,212,575.67	564,104,346.65	3,675,607.52	264,526,626.98	-2,697,006,483.94	5,611,512,672.88
Total segment profit	249,691,724.66	49,641,939.26	428,413.66	4,406,012.88	17,061,094.28	321,229,184.74
Total assets	-15,876,274.19	7,840,381.45	626,534.34	31,321,583.19	-10,476,467.96	13,435,756.83
Total liabilities	38,319,082,322.59	2,324,826,863.17	7,984,303.51	18,198,565,101.47	-11,983,605,711.05	46,866,852,879.69
Capital expenses	29,571,506,817.34	1,910,414,494.05	129,572.91	3,645,189,767.64	-8,376,379,446.65	26,750,861,205.29
Impairment loss recognised during current period	232,762,499.86	10,271,206.85		62,831,151.45	-50,000,000.00	255,864,858.16
Depreciation and amortisation expenses	520,545.07	10,823,869.11	67,549.20	-362,901.66	-414,387.12	10,981,512.52
	154,359,880.13	29,575,363.99		30,419,875.98		214,008,282.18

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

Corresponding period of last year

Item	Shipbuilding and related business	Steel structure engineering	Ship maintenance segment	Others segment	Inter-segment elimination	Total
Operating income	3,971,822,279.54	884,168,289.00	4,137,635.34	876,132,012.09	-1,465,057,714.98	4,271,202,500.99
Including: Revenue from external transactions	2,652,353,858.75	803,182,889.94	2,033,494.72	813,632,257.58		4,271,202,500.99
Revenue from inter-segment transactions	1,319,468,420.79	80,985,399.06	2,104,140.62	62,499,754.51	-1,465,057,714.98	
Operating costs	3,706,260,400.93	848,204,222.85	3,260,707.80	845,795,762.96	-1,425,872,779.59	3,977,648,314.95
Costs for the period	211,237,582.03	41,450,673.53	527,405.67	-2,017,284.80	22,894,122.35	274,092,498.78
Total segment profit	61,539,642.66	15,136,679.12	444,158.82	30,352,623.82	-79,134,621.30	28,338,483.12
Total assets	43,203,620,128.80	2,004,059,538.82	8,563,313.80	14,469,293,731.70	-11,050,236,871.64	48,635,299,841.48
Total liabilities	34,483,980,061.66	1,718,923,605.89	1,467,490.76	2,656,904,219.58	-7,769,523,731.46	31,091,751,646.43
Capital expenses	91,727,494.88	4,692,000.00	45,076.65	9,405,035.48	-11,803,976.62	94,065,630.39
Impairment loss recognised during current period	-4,258,756.63	5,974,169.96		44,266.92		1,759,680.25
Depreciation and amortisation expenses	155,018,161.86	14,541,825.64	87,911.14	30,380,249.64	1,000,438.63	201,028,586.91

(1) Revenue from external transactions by origin of revenue

Item	Current period	Corresponding period of last year
Revenue from external transactions derived from China	4,664,665,295.58	3,083,402,142.82
Revenue from external transactions derived from other countries	1,317,668,507.46	1,187,800,358.17
Total	5,982,333,803.04	4,271,202,500.99

(2) Non-current assets by location of assets

Item	Ending balance	Beginning balance
Non-current assets within China (excluding Hong Kong)	11,848,565,084.48	12,257,641,477.25
Hong Kong	811,083,294.75	802,286,452.1
Total	12,659,648,379.23	13,059,927,929.35

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

(III) Other important transactions and matters that have an impact on investors' decision-making

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
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XVI. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash on hand		
Digital currency		
Bank deposits	396,936,420.44	854,215,666.15
Other cash at bank and on hand	1,052,328,412.53	576,886,667.78
Total	1,449,264,832.97	1,431,102,333.93
Including: Deposit in finance company	1,449,150,382.05	1,030,702,126.5
Total amount deposited overseas		

The monetary funds which were limited to use by mortgage, pledge, and being frozen, limited to access due to centralized management of funds, or limited to remit to China in foreign countries are as following:

Item	Ending balance	Beginning balance
Fixed deposits with a term of over 3 months	1,042,000,000.00	533,000,000.00
Interests from fixed deposits	10,328,412.53	43,886,667.78
Total	1,052,328,412.53	576,886,667.78

(II) Accounts receivable

1. The ageing analysis of accounts receivable as at the transaction date

Ageing	Ending balance	Beginning balance
Within one year		
1-2 years		5,228,365.75
2-3 years		
3-4 years		
4-5 years	768,468.86	768,468.86
Over 5 years		
Subtotal	768,468.86	5,996,834.61
Less: Provision for bad debts	614,775.09	1,137,611.67
Total	153,693.77	4,859,222.94

NOTES TO THE FINANCIAL STATEMENTS

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2. Credit period of accounts receivable

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

3. Breakdown of accounts receivable by the method using which the provision for bad debts is made

Type	Ending balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
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 made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	768,468.86	100.00	614,775.09	80.00	153,693.77
	768,468.86	100.00	614,775.09	80.00	153,693.77
Total	768,468.86	100.00	614,775.09		153,693.77

Type	Beginning balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
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 made on a collective basis Including: Accounts receivable of which the credit risk has not significantly increased since initial recognition	5,996,834.61	100.00	1,137,611.67	18.97	4,859,222.94
	5,996,834.61	100.00	1,137,611.67	18.97	4,859,222.94
Total	5,996,834.61	100.00	1,137,611.67		4,859,222.94

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(1) Accounts receivable of provision for bad debts made on an individual basis

None.

(2) Accounts receivable of provision for bad debts made on a collective basis

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
Ageing portfolio	768,468.86	614,775.09	80.00
Total	768,468.86	614,775.09	

Of which, breakdown of the ageing portfolio is as follows:

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage of provision (%)
With one year (one year inclusive)			
1-2 years			
2-3 years			
3-4 years			
4-5 years	768,468.86	614,775.09	80.00
Over 5 years			
Total	768,468.86	614,775.09	

4. Provision for bad debts made, reversed or recovered during the period

Type	Beginning balance	Change in the period			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts in respect of accounts receivable	1,137,611.67	-522,836.58			614,775.09
Total	1,137,611.67	-522,836.58			614,775.09

5. Accounts receivable written-off during the period

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

6. Top five accounts receivable by ending balance of debtors

Name of Unit	Ending balance		Provision for bad debts
	Accounts receivable	Percentage of ending balance of total accounts receivable (%)	
Guangzhou Municipal Engineering Testing Co., Ltd	768,468.86	100.00	614,775.09
Total	768,468.86	100.00	614,775.09

7. Accounts receivable derecognised arising from transfer of financial assets

None.

8. Amounts of assets and liabilities transferred from accounts receivable with continuing involvement

None.

(III) Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable		
Other receivables	554,505.40	794,605.06
Total	554,505.40	794,605.06

Other receivables:

(1) Disclosure by ageing

Ageing	Ending balance	Beginning balance
Within one year	329,157.40	569,257.06
1-2 years		
2-3 years		
3-4 years		225,348.00
4-5 years	225,348.00	
Over 5 years	19,178.36	19,178.36
Subtotal	573,683.76	813,783.42
Less: Provision for bad debts	19,178.36	19,178.36
Total	554,505.40	794,605.06

NOTES TO THE FINANCIAL STATEMENTS

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(2) **Breakdown by the method using which the provision for bad debts is made**

Type	Ending balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis Including: Other receivables of which the credit risk has significantly increased since initial recognition					
Provision for bad debts made on a collective basis Including: Other receivables of which the credit risk has not significantly increased since initial recognition	573,683.76	100.00	19,178.36	3.34	554,505.40
	573,683.76	100.00	19,178.36	3.34	554,505.40
Total	573,683.76	100.00	19,178.36		554,505.40

Type	Beginning balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts made on an individual basis Including: Other receivables of which the credit risk has significantly increased since initial recognition					
Provision for bad debts made on a collective basis Including: Other receivables of which the credit risk has not significantly increased since initial recognition	813,783.42	100.00	19,178.36	2.36	794,605.06
	813,783.42	100.00	19,178.36	2.36	794,605.06
Total	813,783.42	100.00	19,178.36		794,605.06

1) *Other accounts receivable for which provision for bad debts is made on an individual basis*

None.

2) *Other accounts receivable for which provision for bad debts is made on a collective basis*

Name	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Portfolio of deposit and security deposit that are not past due	225,348.00		
Portfolio of reserve funds and employee loans	81,940.54		
Portfolio of related parties within the scope of consolidation of the Group	247,216.86		
Ageing portfolio	19,178.36	19,178.36	100.00
Total	573,683.76	19,178.36	

NOTES TO THE FINANCIAL STATEMENTS

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Of which, the details of the ageing portfolio are as follows:

Name	Ending balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within one year (inclusive)			
1-2 years			
2-3 years			
3-4 years			
4-5 years			
Over 5 years			
	19,178.36	19,178.36	100.00
Total	19,178.36	19,178.36	

(3) **Provision for bad debts**

	Stage 1	Stage 2	Stage 3	
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	Total
Provision for bad debts				
Beginning balance		19,178.36		19,178.36
Beginning balance during the period				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Provision made during the period				
Reversed during the period				
Offset during the period				
Written off during the period				
Other changes				
Ending balance		19,178.36		19,178.36

Changes on the book balance of other receivables are as follows:

	Stage 1	Stage 2	Stage 3	
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	Total
Book balance				
Beginning balance	794,605.06	19,178.36		813,783.42
Beginning balance during the period				
- Transfer to stage 2				
- Transfer to stage 3				
- Transfer back to stage 2				
- Transfer back to stage 1				
Added during the period	-240,099.66			-240,099.66
Derecognized during the period				
Other changes				
Ending balance	554,505.40	19,178.36		573,683.76

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(4) Bad debt provision made, reversed or recovered during the period

Type	Beginning balance	Change in the current period			Ending balance
		Provision made	Recovered or reversed	Offset or written off	
Provision for bad debts for other receivables	19,178.36				19,178.36
Total	19,178.36				19,178.36

(5) Written-off of other receivables during the period

None.

(6) Breakdown of other receivables by nature

Nature of amount	Book balance as at the end of the period	Book balance as at the beginning the year
Refundable deposit	225,348.00	225,348.00
Temporary payments receivables		517,799.90
Reserve funds	81,940.54	70,635.52
Other current accounts	266,395.22	
Total	573,683.76	813,783.42

(7) Top five other receivables by ending balance of debtors

Name of entity	Nature of amount	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of provision for bad debt
China National Shipbuilding Equipment & Materials (South China) Co., Ltd.	Deposit	225,348.00	4-5 years	39.28	
Guangzhou Shipyard International Company Limited	Payment on behalf for Social Security	192,654.10	Within one year	33.58	
China Shipbuilding Group Co., Ltd.	Payment on behalf for Social Security	54,562.76	Within one year	9.51	
Beijing Ship Industry Management College	Reserve funds	50,100.00	Within one year	8.73	
Guangzhou Ship Industrial Co., Ltd.	Reserve funds	20,000.00	Within one year	3.49	
Total		542,664.86		94.59	

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(8) Other receivables related to government grants

None.

(9) Other receivables derecognised arising from transfer of financial assets

None.

(10) Transfer of other receivables and continue to involve amounts of assets and liabilities formed

None.

(IV) Inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for inventory impairment/ Provision for contract performance costs impairment	Carrying value	Book balance	Provision for inventory impairment/ Provision for contract performance costs impairment	Carrying value
Contract performance cost	24,909,034.04		24,909,034.04	24,909,034.04		24,909,034.04
Total	24,909,034.04		24,909,034.04	24,909,034.04		24,909,034.04

(V) Other current assets

Item	Ending balance	Beginning balance
Value-added tax credit	20,588,552.92	20,817,863.40
Total	20,588,552.92	20,817,863.40

(VI) Long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	3,171,466,036.56		3,171,466,036.56	3,171,466,036.56		3,171,466,036.56
Investments in associates	3,623,702,933.24		3,623,702,933.24	3,991,523,955.73		3,991,523,955.73
Total	6,795,168,969.80		6,795,168,969.80	7,162,989,992.29		7,162,989,992.29

1. Investments in subsidiaries

Investee	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Huangpu Wenchong	3,171,466,036.56			3,171,466,036.56
Total	3,171,466,036.56			3,171,466,036.56

NOTES TO THE FINANCIAL STATEMENTS

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2. Investments in associates

Investee	Beginning balance	Changes in the period						Ending balance	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognised using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit		
Guangzhou Shipyard International Company Limited	3,991,523,955.73		6,499,204.46	-26,552.19	-364,283,704.76			3,623,702,933.24	
Total	3,991,523,955.73		6,499,204.46	-26,552.19	-364,283,704.76			3,623,702,933.24	

3. Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Unlisted	6,795,168,969.80	7,162,989,992.29
Total	6,795,168,969.80	7,162,989,992.29

(VII) Investments in other equity instruments

1. Information on investments in other equity instruments

Item	Ending balance	Beginning balance
At fair value through other comprehensive income	7,157,757,685.56	4,845,786,728.48
Total	7,157,757,685.56	4,845,786,728.48

2. Analysis of investments in other equity instruments

Item	Ending balance	Beginning balance
Listed	7,157,757,685.56	4,845,786,728.48
Including: China (excluding Hong Kong)	7,157,757,685.56	4,845,786,728.48
Total	7,157,757,685.56	4,845,786,728.48

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

3. Breakdown of other equity instruments

Item	Ending balance			Beginning balance		
	Book cost	Change in fair value	Carrying value	Book cost	Change in fair value	Carrying value
Sub-total of listed	2,857,883,200.00	4,299,874,485.56	7,157,757,685.56	2,857,883,200.00	1,987,903,528.48	4,845,786,728.48
CSSC Holdings	2,857,883,200.00	4,299,874,485.56	7,157,757,685.56	2,857,883,200.00	1,987,903,528.48	4,845,786,728.48
Total	2,857,883,200.00	4,299,874,485.56	7,157,757,685.56	2,857,883,200.00	1,987,903,528.48	4,845,786,728.48

4. Information on investments in equity instruments not held-for-trading

Item	Dividend income recognized during the period	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Sub-total of listed		4,299,874,485.56				
CSSC Holdings		4,299,874,485.56			Equity investments not held-for-trading	
Total		4,299,874,485.56				

(VIII) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Total
1. Original carrying amount		
(1) Beginning balance	157,433,262.96	157,433,262.96
(2) Increase for the period		
(3) Decrease for the period		
(4) Ending balance	157,433,262.96	157,433,262.96
2. Accumulated depreciation and amortisation		
(1) Beginning balance	21,246,631.38	21,246,631.38
(2) Increase for the period	3,268,712.52	3,268,712.52
– Provision made or amortisation	3,268,712.52	3,268,712.52
(3) Decrease for the period		
(4) Ending balance	24,515,343.90	24,515,343.90
3. Provision for impairment		
(1) Beginning balance		
(2) Increase for the period		
(3) Decrease for the period		
(4) Ending balance		
4. Carrying value		
(1) Ending carrying value	132,917,919.06	132,917,919.06
(2) Beginning carrying value	136,186,631.58	136,186,631.58

Other explanations:

- The depreciation and amortisation of investment properties recognised in profit or loss during the period was RMB3,268,712.52 (last period: RMB3,268,712.52).
- The provision for impairment of investment properties made for the period was RMB0 (last period: RMB0).

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(3) Investment properties analysed by region and ageing

Item	Ending balance	Beginning balance
Within China	132,917,919.06	136,186,631.58
Medium term (10-50 years)	132,917,919.06	136,186,631.58
Total	132,917,919.06	136,186,631.58

2. Investment properties without property ownership certificates

As at the end of the period, included in investment properties were properties with carrying amount of RMB132,917,919.06 for which the property ownership certificates were being applied for. Given the aforesaid properties were in compliance with the relevant legal procedures, the Board believes that the transfer of its title will not meet any substantial obstacle or affect their normal use by the Company and will have no material impact on the normal operation of the Group. As such, no provision for impairment is required for investment properties and there will be no additional material costs.

Item	Carrying value	Reason for failure to obtain property ownership certificates
Hull joint workshop	72,135,017.25	In the process of obtaining ownership certificates
Component welding workshop	57,740,987.67	In the process of obtaining ownership certificates
Sanding and coating workshop	3,041,914.14	In the process of obtaining ownership certificates
Total	132,917,919.06	

(IX) Fixed assets

1. Fixed assets and disposal of fixed assets

Item	Ending balance	Beginning balance
Fixed assets	4,426,055.09	4,642,135.34
Disposal of fixed assets		
Total	4,426,055.09	4,642,135.34

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2. Fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
1. Original carrying value					
(1) Beginning balance	4,272,909.88		560,223.08	1,940,992.72	6,774,125.68
(2) Increase for the period				10,940.17	10,940.17
(3) Decrease for the period					
(4) Ending balance	4,272,909.88		560,223.08	1,930,052.55	6,763,185.51
2. Accumulated depreciation					
(1) Beginning balance	699,095.73		353,083.25	1,079,811.36	2,131,990.34
(2) Increase for the period	67,654.41		26,610.60	121,268.24	215,533.25
– Provision made	67,654.41		26,610.60	121,268.24	215,533.25
(3) Decrease for the period					
(4) Ending balance	766,750.14		379,693.85	10,393.17	10,393.17
3. Provision for impairment					
(1) Beginning balance					
(2) Increase for the period					
(3) Decrease for the period					
(4) Ending balance					
4. Carrying value					
(1) Ending carrying value	3,506,159.74		180,529.23	739,366.12	4,426,055.09
(2) Beginning carrying value	3,573,814.15		207,139.83	861,181.36	4,642,135.34

Other explanations:

The depreciation of fixed assets recognised in profit or loss during the period amounted to RMB215,533.25 (previous period: RMB220,071.15);

Included in fixed assets added during the period is capitalised construction in progress of RMB0.

NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, amounts are in RMB)

3. Buildings and structures analysed by region and ageing

Item	Ending balance	Beginning balance
Within China	3,506,159.74	3,573,814.15
Including: medium term (10-50 years)	3,506,159.74	3,573,814.15
Total	3,506,159.74	3,573,814.15

(X) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	633,953.45	158,488.36		
Total	633,953.45	158,488.36		

2. Deferred tax liabilities not offset

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Change in fair value of investments in other equity instruments	4,299,874,485.56	1,074,968,621.39	1,987,903,528.48	496,975,882.12
Total	4,299,874,485.56	1,074,968,621.39	1,987,903,528.48	496,975,882.12

3. Breakdown of unrecognised deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference		1,156,790.03
Deductible tax loss		6,644,247.16
Total		7,801,037.19

4. Deductible loss for which no deferred tax assets are recognised will become due in the following years

Year	Ending balance	Beginning balance	Notes
2024		6,644,247.16	
Total		6,644,247.16	

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(XI) Accounts payable

1. List of accounts payable

Item	Ending balance	Beginning balance
Materials purchased	2,214,780.19	17,270,736.58
Retention money	15,055,956.39	5,228,365.75
Other construction and labour services	117,924.53	477,106.29
Total	17,388,661.11	22,976,208.62

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

Ageing	Ending balance	Beginning balance
Within one year	117,924.53	476,415.09
1-2 years	1,293,425.69	6,572,482.64
2-3 years	15,050,000.00	15,000,000.00
Over 3 years	927,310.89	927,310.89
Total	17,388,661.11	22,976,208.62

Of which, significant accounts payable aged over one year:

Item	Ending balance	Including: Amount aged over one year	Reason for unsettlement or carrying forward
Guangzhou Shipyard International Company Limited	16,343,425.69	16,343,425.69	Not yet due
Zhongshan GSI Marine Engineering Company Limited	871,354.50	871,354.50	Not yet due
Total	17,214,780.19	17,214,780.19	

(XII) Contract liabilities

1. Contract liabilities

Item	Ending balance	Beginning balance
Contract liabilities for electromechanical products and others	24,173,111.03	24,173,111.03
Total	24,173,111.03	24,173,111.03

Other explanations: The income included in the beginning carrying value of contract liabilities recognized in the period amounted to RMB0.

2. Amount and reason for significant changes in carrying value during the Reporting Period

None.

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(XIII) Employee benefits payable

1. Breakdown of employee benefits payable

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Short-term remuneration		3,721,756.40	3,721,756.40	
Post-employment benefits – defined contribution plans		586,427.54	586,427.54	
Dismissal benefits				
Total		4,308,183.94	4,308,183.94	

2. Breakdown of short-term remuneration

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
(1) Salaries, bonuses, allowances and subsidies		2,489,952.00	2,489,952.00	
(2) Employee benefits		502,204.44	502,204.44	
(3) Social insurance contribution		179,636.02	179,636.02	
Including: Medical and maternity insurance contribution		151,041.86	151,041.86	
Work-related injury insurance contribution		28,594.16	28,594.16	
(4) Housing fund		307,426.00	307,426.00	
(5) Labour union & employee education funds		134,211.96	134,211.96	
(6) Short-term paid absence				
(7) Short-term profit sharing plan				
(8) Outsourcing labour costs and others		108,325.98	108,325.98	
Total		3,721,756.40	3,721,756.40	

3. Breakdown of defined contribution plans

As required, the Group participates in the social insurance plans established by the government authorities. The Group makes contributions to these plans as required by local governments. The Group has no further payment obligations other than the contributions. The relevant expenses are included in current profit or loss or as the cost of the relevant assets.

The pension and unemployment plan contributions made by the Group during the period were as follows:

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Basic pension insurance		285,594.96	285,594.96	
Unemployment insurance contribution		20,494.58	20,494.58	
Corporate annuity payment		280,338.00	280,338.00	
Total		586,427.54	586,427.54	

Other explanations: As at the end of the period, all planned pension, unemployment insurance contributions and corporate annuity payment of the Company had been made.

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(XIV) Taxes payable

Item	Ending balance	Beginning balance
Enterprise income tax	2,106,397.42	
Individual income tax	240,837.29	658,196.54
Property tax	9,147.36	9,147.36
Land use tax	919.92	919.92
Stamp duty	381.33	14,950.94
Total	2,357,683.32	683,214.76

(XV) Other payables

Item	Ending balance	Beginning balance
Interest payable		
Dividends payable	14,896,463.86	761,400.08
Other payables	77,561.67	147,991.75
Total	14,974,025.53	909,391.83

1. Dividends payable

Item	Ending balance	Beginning balance
Dividends on ordinary shares	14,896,463.86	761,400.08
Including: Dividends payable for A shares	8,296,741.32	82,389.51
Dividends payable for H shares	6,599,722.54	679,010.57
Total	14,896,463.86	761,400.08

2. Other payables

Item	Ending balance	Beginning balance
Payables for temporary receipts	77,561.67	147,991.75
Total	77,561.67	147,991.75

(XVI) Share capital

For details, please see Note V (39) Share Capital.

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(XVII) Capital reserve

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Share premium	6,246,714,797.85			6,246,714,797.85
Other capital reserves	2,336,880,290.36	374,293,704.76		1,962,586,585.60
Total	8,583,595,088.21	374,293,704.76		8,209,301,383.45

Other explanations: The decrease in capital reserves during the period was due to other changes in owners' equity of associates recognized according to their shareholding ratio, besides net profit or loss, other comprehensive income and profit distribution.

(XVIII) Other comprehensive income

Item	Beginning balance	Amount incurred for the period before income tax	Amount for the period				Ending balance
			Less: Amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Amount previously included in other comprehensive income and transferred to retained earnings for the period	Amount attributable to the Company after tax	Amount attributable to non-controlling interest after tax	
1. Other comprehensive income that may not be subsequently reclassified to profit or loss Including: Other comprehensive income that cannot be transferred to profit or loss under the equity method	1,491,982,474.20	2,311,944,434.89		577,992,739.27	1,733,951,695.62		3,225,934,169.82
Change in fair value of investments in other equity instruments	1,054,827.84	-26,522.19			-26,522.19		1,028,305.65
2. Other comprehensive income that will be subsequently reclassified to profit or loss	1,490,927,646.36	2,311,970,957.08		577,992,739.27	1,733,978,217.81		3,224,905,864.17
Total other comprehensive income	1,491,982,474.20	2,311,944,434.89		577,992,739.27	1,733,951,695.62		3,225,934,169.82

(XIX) Surplus reserve

Item	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Statutory surplus reserve	609,586,022.94			609,586,022.94
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	628,168,219.37			628,168,219.37

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(XX) Undistributed profit

Item	Current period	Corresponding period of last year
Undistributed profit as at the end of last year before adjustment	969,118,578.92	540,948,804.84
Beginning adjustment to undistributed profits (increase +, decrease-)		
Undistributed profits as at the beginning of the year after adjustment	969,118,578.92	540,948,804.84
Add: Net profit attributable to owners of the Company for the period	20,143,968.81	23,938,795.78
Less: Statutory surplus reserve set aside		
Dividends payable on ordinary shares	14,135,063.78	195,063,880.16
Undistributed profits as at the end of the period	975,127,483.95	369,823,720.46

(XXI) Net current assets

Item	Ending balance	Beginning balance
Current assets	1,495,470,619.10	1,482,483,059.37
Less: Current liabilities	58,893,480.99	48,741,926.24
Net current assets	1,436,577,138.11	1,433,741,133.13

(XXII) Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	15,585,899,736.97	13,632,088,547.06
Less: Current liabilities	58,893,480.99	48,741,926.24
Total assets less current liabilities	15,527,006,255.98	13,583,346,620.82

(XXIII) Operating income and operating costs

1. Information on operating income and operating cost

Item	Current period		Corresponding period of last year	
	Income	Cost	Income	Cost
Principal business				
Other businesses	6,546,600.00	3,268,712.52	6,546,600.00	3,268,712.52
Total	6,546,600.00	3,268,712.52	6,546,600.00	3,268,712.52

(1) Principal business – by product

None.

(2) Principal business – by region

None.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(3) Other operating income and other operating costs

Item	Current period	Corresponding period of last year
Income from other business		
Lease	6,546,600.00	6,546,600.00
Total	6,546,600.00	6,546,600.00
Costs of other business		
Lease	3,268,712.52	3,268,712.52
Total	3,268,712.52	3,268,712.52

2. Information on revenue from contracts

The breakdown of revenue for the period is as follows:

Breakdown of contracts	Other segments	Total
Product type:		
Other business	6,546,600.00	6,546,600.00
Total	6,546,600.00	6,546,600.00
Region of operation:		
Domestic	6,546,600.00	6,546,600.00
Total	6,546,600.00	6,546,600.00
Type of market or customer:		
State-owned enterprises	6,546,600.00	6,546,600.00
Total	6,546,600.00	6,546,600.00
Type of contracts:		
Fixed price	6,546,600.00	6,546,600.00
Total	6,546,600.00	6,546,600.00
Date of transfer of goods:		
Performed at a point in time	6,546,600.00	6,546,600.00
Total	6,546,600.00	6,546,600.00
By contract term:		
Short-term	6,546,600.00	6,546,600.00
Total	6,546,600.00	6,546,600.00
By sales channel:		
Direct sales	6,546,600.00	6,546,600.00
Total	6,546,600.00	6,546,600.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

3. Top five customers in operating income

Customers	Relationship with the Group	Current period	Percentage of total income from principal business (%)
Zhongshan GSI Marine Engineering Company Limited	Under the common control of CSSC	6,546,600.00	
Total		6,546,600.00	

4. Purchase amount from top five suppliers

None.

(XXIV) Taxes and surcharges

Item	Current period	Corresponding period of last year
Property tax	18,294.72	18,294.72
City maintenance and construction tax	13,747.86	13,747.86
Educational surcharge	9,819.90	9,819.90
Land use tax	1,839.84	1,839.84
Vehicle and vessel tax	1,560.00	1,560.00
Stamp tax	422.52	57.00
Total	45,684.84	45,319.32

(XXV) Administrative expenses

Item	Current period	Corresponding period of last year
Employee benefits	4,308,183.94	3,687,323.25
Board meeting fee	1,456,221.36	861,248.49
Lease expenses	519,880.02	433,233.35
Travelling expense	327,278.59	29,004.98
Depreciation charge	201,241.22	281,628.61
Logistics service fees	190,988.17	162,295.58
Information management fee	119,720.74	121,462.03
Intermediary fee	57,972.09	59,738.44
Office expenses	45,750.09	38,914.59
Water and electricities charges	33,150.42	28,008.59
Business entertainment fee	24,770.40	11,946.80
Insurance premium	4,442.29	4,099.64
Repairing expenses	3,198.10	48,776.40
Others	295,141.37	375,324.13
Total	7,587,938.80	6,143,004.88

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(XXVI) Finance cost

1. Breakdown of finance costs

Item	Current period	Corresponding period of last year
Interest expenses		265.23
Less: Interest income	19,331,504.58	12,568,994.83
Exchange gains or losses	771.04	3.40
Other expenses	8,585.52	3,822.08
Total	-19,322,148.02	-12,564,904.12

2. Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank borrowings and overdraft		
Interest on bank borrowings due within 5 years		
Other borrowings		265.23
Other interest expenses		265.23
Total		265.23

3. Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	19,331,504.58	12,568,994.83
Interest income from receivables		
Total	19,331,504.58	12,568,994.83

(XXVII) Other income

Item	Amount for the period	Amount for last period
Government grants		76,178.04
Handling fee for withholding individual income tax	103,521.97	65,114.27
Total	103,521.97	141,292.31

Government grants recognized in other income

Item	Amount for the period	Amount for last period	Relating to assets/ relating to revenue
Unemployment insurance return for job stabilization		56,553.04	Related to revenue
Social security one-time job retention training subsidies		19,625.00	Related to revenue
Total		76,178.04	

(XXVIII) Investment income

Item	Current period	Corresponding period of last year
Gain from long-term equity investments accounted for using equity method	6,499,204.46	6,846,849.39
Total	6,499,204.46	6,846,849.39

Other explanations: Investment income from investment in non-listed companies for current period amounted to RMB0 (Previous period: RMB0) and RMB6,499,204.46 (Previous period: RMB6,846,849.39).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(XXIX) Gain from change in fair value

Source of gain on change in fair value	Current period	Corresponding period of last year
Financial assets held-for-trading		9,813,000.00
Total		9,813,000.00

(XXX) Credit impairment loss

Item	Current period	Corresponding period of last year
Loss on bad debts of accounts receivable	522,836.58	-58,641.83
Total	522,836.58	-58,641.83

Other explanations: Negative numbers of credit impairment losses indicate accrual during current period, and positive numbers indicate reversal during current period.

(XXXI) Non-operating income

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Others	450.00		450.00
Total	450.00		450.00

Other explanations: The amount included in non-recurring gains and losses for current period was RMB450.00 (previous period: RMB0).

(XXXII) Non-operating expenses

Item	Current period	Corresponding period of last year	Amount included in non-recurring gains and losses for current period
Loss from scrapped non-current assets	547.00	2,288.50	547.00
Including: Loss from scrapped fixed assets	547.00	2,288.50	547.00
Total	547.00	2,288.50	547.00

Other explanations: The amount included in non-recurring gains and losses for current period was RMB547.00 (previous period: RMB2,288.50).

(XXXIII) Income tax expense

1. List of income tax expense

Item	Current period	Corresponding period of last year
Current income tax expenses	2,106,397.42	
Deferred tax expense	-158,488.36	2,455,882.99
Total	1,947,909.06	2,455,882.99

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

2. Accounting profit and income tax expense adjustment process

Item	Current period
Total profit	22,091,877.87
Income tax expenses calculated at statutory/applicable tax rate	5,522,969.47
Impact of non-taxable income	-1,624,801.12
Impact of non-deductible costs, expenses and losses	-130,709.15
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognised	-158,488.36
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognised for current period	-1,661,061.78
Income tax expense	1,947,909.06

(XXXIV) Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of fixed assets	215,533.25	220,071.15
Depreciation of right-of-use assets		75,849.49
Amortisation of long-term deferred expenses		28,836.15
Depreciation of investment properties	3,268,712.52	3,268,712.52
Total	3,484,245.77	3,593,469.31

(XXXV) Gain (or loss) from disposal of investments or properties

Gain from disposal of investment or properties for the period was RMB0 (previous period: RMB0).

(XXXVI) Operating rental expense

Operating rental expense for the period was RMB519,880.02 (previous period: RMB509,348.07).

(XXXVII) Rental income

Operating rental income for the period was RMB6,546,600.00 (previous period: RMB6,546,600.00), including rental income from land and buildings of RMB6,546,600.00 (previous period: RMB6,546,600.00).

(XXXVIII) Supplementary information to the income statement where expenses are classified by nature

The operating costs, selling expenses, administrative expenses, research and development expenses and finance expenses in the income statement are classified by nature as follows:

Item	Current period	Corresponding period of last year
Employee compensation expenses	4,308,183.94	3,687,323.25
Depreciation expenses	3,484,245.77	3,564,633.16
Amortisation expenses		28,836.15
Fuel power fee	33,150.42	28,008.59
Finance expenses	-19,322,148.02	-12,564,904.12
Other expenses	3,031,071.19	2,102,916.25
Total	-8,465,496.70	-3,153,186.72

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(XXXIX) Items on cash flow statement

1. Other cash receipts relating to operating activities

Item	Current period	Corresponding period of last year
Income from other current accounts received	611,640.57	8,285,393.26
Government grants		76,178.04
Interest income	1,615,098.72	626,582.33
Other non-operating income	450.00	
Total	2,227,189.29	8,988,153.63

2. Other cash payments relating to operating activities

Item	Current period	Corresponding period of last year
Payment of other current accounts	691,197.54	8,811,676.52
Administrative expense	3,140,784.43	1,918,081.27
Reserve funds	429,491.12	344,042.20
Bank charges	8,252.46	3,822.08
Total	4,269,725.55	11,077,622.07

3. Other cash receipts relating to investing activities

Item	Current period	Corresponding period of last year
Refundable fixed deposits and restricted funds over three months	533,000,000.00	516,000,000.00
Refundable fixed deposits over three months and interest income on various security deposit	51,274,661.11	1,352,313.89
Total	584,274,661.11	517,352,313.89

4. Other cash payments relating to investing activities

Item	Current period	Corresponding period of last year
Refundable fixed deposits and restricted funds over three months	1,042,000,000.00	286,000,000.00
Total	1,042,000,000.00	286,000,000.00

5. Other cash payment relating to financing activities

Item	Current period	Corresponding period of last year
Expenditure on lease assets		90,979.00
Total		90,979.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

(XL) Supplementary information on cash flow statement

1. Supplementary information on cash flow statement

Supplementary information	Current period	Corresponding period of last year
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	20,143,968.81	23,938,795.78
Add: Credit impairment loss	-522,836.58	58,641.83
Provision for impairment of assets		
Depreciation of fixed assets	3,484,245.77	3,488,783.67
Depreciation of right-to-use assets		75,849.49
Amortisation of intangible assets		
Amortisation of long-term deferred expenses		28,836.15
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is listed with "-")		
Loss on retirement of fixed assets (gain is listed with "-")	547.00	2,288.50
Loss on changes in fair value (gain is listed with "-")		-9,813,000.00
Finance cost (gain is listed with "-")	-19,275,425.45	-11,994,528.06
Loss on investments (gain is listed with "-")	-6,499,204.46	-6,846,849.39
Decrease in deferred tax assets (increase is listed with "-")	-158,488.36	
Increase in deferred tax liabilities (decrease is listed with "-")		2,455,882.99
Decrease in inventories (increase is listed with "-")		
Decrease in operating receivables (increase is listed with "-")	5,697,775.89	3,992,937.22
Increase in operating payables (decrease is listed with "-")	-2,423,718.30	-4,436,907.74
Others		
Net cash flows from operating activities	446,864.32	950,730.44
2. Significant investing and financing activities not involving cash receipts or payments		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents		
Cash balance at the end of the period	396,936,420.44	298,768,299.17
Less: Cash balance at the beginning of the period	854,215,666.15	66,939,423.22
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-457,279,245.71	231,828,875.95

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

2. Net cash paid for acquisition of subsidiaries during the current period

None.

3. Net cash received for disposal of subsidiaries during the current period

None.

4. Compositions of cash and cash equivalents

Item	Ending balance	Beginning balance
I. Cash	396,936,420.44	854,215,666.15
Including: Cash on hand		
Digital currency available for use on demand		
Bank deposits available for use on demand	396,936,420.44	854,215,666.15
Other cash at bank and on hand for use on demand		
II. Cash equivalents		
Including: Investments in bonds maturing within three months		
III. Cash and cash equivalents at the end of the period	396,936,420.44	854,215,666.15
Including: Restricted cash and cash equivalents used by the parent company or intra-group subsidiaries		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023
(Unless otherwise stated, amounts are in RMB)

XVII. SUPPLEMENTAL INFORMATION

(I) Breakdown of non-recurring gains and losses for the period

According to the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-recurring Gains and Losses (2008) issued by China Securities Regulatory Commission, the non-recurring gains and losses of the Group for the period were as follows:

Item	Current year	Explanation
Gain or loss on disposal of non-current assets	-722,228.08	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature		
Government grants included in current profit or loss (other than on-going government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions)	43,747,154.96	
Capital occupation fee received from non-financial entities included in current profit or loss		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or assets under management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs, such as employee redundancy pay and integration costs		
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		
Investment gains from financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading, derivative financial liabilities and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading, derivative financial liabilities and other debt investments, except for effective hedging transactions that are closely related to the Company's normal operation	-49,641,037.80	
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment		
Gain or loss from entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	339,261.55	
Other gain or loss items meeting the definition of non-recurring gains or losses	465,419.15	
Sub-total	-5,811,430.22	
Effect of income tax	739,034.90	
Effect of non-controlling interests (after tax)	2,258,765.16	
Total	-2,813,630.16	

NOTES TO THE FINANCIAL STATEMENTS

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Items defined as recurring gains or losses are as follows:

Item	Amount	Reason
Grant for insurance maintained for first piece (set)	3,000,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Interest subsidy	5,090,000.00	Closely relating to operation, granted at fixed amount and on a continuous basis
Total	8,090,000.00	

Other explanations: All the aforesaid government grants are closely relating to the normal operation of the Company, subject to national policies and granted at fixed amount and on a continuous basis, and fall under recurring gains on losses in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses.

(II) Returns on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on equity (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	0.08	0.0090	0.0090
Net profit attributable to shareholders of the Company, net of non-recurring gains and losses	0.09	0.0110	0.0110

XVIII. APPROVAL OF FINANCIAL STATEMENTS

The financial statements was approved by the Board of the Company on 30 August 2023.

CSSC Offshore & Marine Engineering (Group) Company Limited
(Stamp)
30 August 2023