
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **CSSC Offshore & Marine Engineering (Group) Company Limited**, you should at once hand this circular together with the proxy form and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

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

(H Share Stock Code: 00317)

**CONNECTED AND DISCLOSEABLE TRANSACTION
IN RELATION TO THE ENTERING INTO THE PHASE I RELOCATION
AGREEMENT OF WENCHONG SHIPBUILDING;
APPOINTMENT OF AUDITORS FOR 2019
AND
ELECTION OF A SUPERVISOR**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

VINC  城高

Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter from the Independent Financial Advisor is set out on pages 20 to 33 of this circular.

The AGM will be held at the Conference Room, 2nd Floor, Hongfan Hotel, No. 126 Gexin Road, Haizhu District, Guangzhou, PRC at 10:30 a.m. on Tuesday, 28 May 2019. The notice convening the AGM, the proxy form and the reply slip have been sent to the Shareholders on 22 March 2019. The supplemental notice convening the AGM and the revised proxy form have been sent to the Shareholders on 7 May 2019.

Any Shareholder who is entitled to attend and vote at the AGM has the right to appoint one or more proxies to do so on behalf of himself. The proxy need not be a Shareholder. In order to ensure validity, a completed proxy form and other authorization documents (if any) must be delivered to the registered office of the Company not less than 24 hours before the time scheduled for the holding of the AGM (i.e. before 10:30 a.m. on Monday, 27 May 2019). Shareholders of H shares must deliver the completed proxy forms and other authorization documents (if any) to the Company's H share Registrar, Hong Kong Registrars Limited at Hopewell Center at 17M Floor, 183 Queen's Road East, Wan Chai, Hong Kong. A Shareholder who has completed and delivered a proxy form can still attend the AGM and vote in person.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	18
LETTER FROM VINCO CAPITAL	20
APPENDIX I GENERAL INFORMATION	34

DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“A Share(s)”	domestic share(s) of the Company with a nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange
“AGM”	the annual general meeting of 2018 of the Company to be held at Conference Room, 2nd Floor, Hongfan Hotel, No. 126 Gexin Road, Haizhu District, Guangzhou, the PRC at 10:30 a.m. on Tuesday, 28 May 2019 or at any adjournment thereof
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Company”	CSSC Offshore & Marine Engineering (Group) Company Limited, a joint-stock company incorporated in the PRC with limited liability, the H shares of which are listed on the main board of the Hong Kong Stock Exchange (H share stock code: 317) and the A shares of which are listed on the Shanghai Stock Exchange (A share stock code: 600685)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSSC”	China State Shipbuilding Corporation Limited* (中國船舶工業集團有限公司), a state-owned enterprise and a state-authorized investment institution directly supervised and administered by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會). As at the Latest Practicable Date, CSSC directly and indirectly holds 847,685,990 Shares of the Company, representing 59.97% of the issued Shares of the Company, and is a controlling shareholder of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“GSI”	Guangzhou Shipyard International Company Limited (廣船國際有限公司), a company incorporated in the PRC on 25 May 2006 and a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date, owned as to 76.4214% by the Company
“Guangzhou Ship”	Guangzhou Ship Industrial Co., Ltd., a subsidiary of CSSC
“H Share(s)”	the overseas listed foreign invested shares of the Company listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huangpu Wenchong”	CSSC Huangpu Wenchong Shipbuilding Company Limited, a 69.02%-owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board established to consider the Transaction under the Relocation Agreement, comprising the independent non-executive Directors
“Independent Financial Advisor” and “Vinco Capital”	Vinco Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial advisor engaged by the Company to advise the Independent Board Committee and the Independent Shareholders on the discloseable and connected transaction contemplated under the Relocation Agreement
“Independent Shareholder(s)”	shareholder(s) of the Company other than CSSC and its associates, who is/are not involved in or interested in the Transaction under the Relocation Agreement
“Latest Practicable Date”	10 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease Agreement”	the lease agreement entered into between Guangzhou Ship as lessor and Huangpu Wenchong and Wenchong Shipyard as lessees on 1 May 2014 relating to, among other things, the leasing of the Wenchong Shipyard Land from Guangzhou Ship by Wenchong Shipyard
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

DEFINITIONS

“Phase I Relocation Land”	an area to the west of Wenchuan Road and shipway of the Wenchong Shipyard Land
“PRC” or “China”	the People’s Republic of China and, for the sole purposes of this circular, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the PRC
“Relocation Agreement” or “Phase I Relocation Agreement”	an agreement dated 26 April 2019 between Wenchong Properties and Wenchong Shipyard in relation to the compensation to be made by Wenchong Properties to Wenchong Shipyard for the loss from shutdown, relocation and resettlement of Wenchong Shipyard arising from and the handover of the Phase I Relocation Land to Wenchong Properties
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	collectively, the H Shares and A Shares of the Company
“Shareholder(s)”	holder(s) of Shares
“subsidiary(ies)”	shall have the meanings ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Transaction”	pursuant to the Relocation Agreement, Wenchong Shipyard ceases production at and relocates from the Phase I Relocation Land for resettlement, and Wenchong Properties compensates Wenchong Shipyard for the loss from shutdown, relocation and resettlement of Wenchong Shipyard
“Wenchong Shipyard” or “Wenchong Shipbuilding”	Guangzhou Wenchong Shipyard Co., Ltd, a wholly-owned subsidiary of Huangpu Wenchong
“Wenchong Shipyard Land”	a parcel of land located to the south of 1 Wenchuan Road, Huangpu District, Guangzhou, the PRC with a total site area of 638,777 square metres
“Wenchong Properties”	Guangzhou Wenchong Properties Co., Ltd., a company 100% directly held by CSSC
“%”	per cent.

** for identification purposes only*

LETTER FROM THE BOARD



中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

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

(H Share Stock Code: 00317)

Executive Directors:

Mr. Han Guangde (*Chairman*)
Mr. Chen Zhongqian
Mr. Chen Liping
Mr. Sheng Jigang
Mr. Xiang Huiming
Mr. Chen Ji

Registered Office:

40 South Fangcun Main Road
Liwan District
Guangzhou
The People's Republic of China
Postal Code: 510382

Non-executive Director:

Mr. Shi Jun

Independent non-executive Directors:

Mr. Wang Yichu
Mr. Min Weiguo
Mr. Liu Renhuai
Mr. Yu Shiyong

10 May 2019

To the holders of H Shares

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION
IN RELATION TO THE ENTERING INTO THE PHASE I RELOCATION
AGREEMENT OF WENCHONG SHIPBUILDING;
APPOINTMENT OF AUDITORS FOR 2019
AND
ELECTION OF A SUPERVISOR**

The purpose of this circular is to provide you with, among other things, information on the resolutions to be proposed at the AGM.

**I. CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO THE
ENTERING INTO THE PHASE I RELOCATION AGREEMENT OF WENCHONG
SHIPBUILDING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 26 April 2019 in relation to the entering into the Phase I Relocation Agreement of Wenchong Shipbuilding.

LETTER FROM THE BOARD

Pursuant to the overall planning of Guangzhou Municipal Government in 2013, the Wenchong Shipyard Land is no longer suitable for industrial use in shipbuilding in accordance with the function planning for the regions in which it is located. In accordance with the relevant requirements for management of state-owned assets, Wenchong Shipyard Land was held by Guangzhou Ship. In or about January 2019, the real estate right and state-owned land use right in respect of the Wenchong Shipyard Land was transferred to Wenchong Properties, subject to and with the benefit of the Lease Agreement.

The Lease Agreement was entered into as an arrangement for supporting the normal production and operation of Wenchong Shipyard at the Wenchong Shipyard Land until its relocation. The rent for leasing the Wenchong Shipyard Land including the relevant ancillary domestic area and buildings thereon was based on existing land amortisation, property depreciation and relevant taxes and expenses. The rent for the Wenchong Shipyard Land, which has not been varied since May 2014, shall be paid on an annual basis. The term of, among other things, the Wenchong Shipyard Land under the Lease Agreement will end on the date on which the relocation of Wenchong Shipyard is completed and it resumes formal production.

2. RELOCATION AGREEMENT

On 26 April 2019, Wenchong Properties and Wenchong Shipyard entered into the Relocation Agreement, pursuant to which Wenchong Properties agrees to pay to Wenchong Shipyard a total of RMB1,400 million (including RMB558 million as compensation for relocation and resettlement and RMB842 million as compensation for loss from shutdown) as the compensation for the relocation of Wenchong Shipyard from and handover of the Phase I Relocation Land of the Wenchong Shipyard Land and the loss from shutdown.

The Relocation Agreement is subject to the approval of the Independent Shareholders of the Company. If the Relocation Agreement is approved by the Independent Shareholder of the Company and the parties perform the Relocation Agreement according to its terms, the Relocation Agreement will constitute an early termination of the Lease Agreement insofar as the Phase I Relocation Land is concerned.

Wenchong Shipyard Land has principally been used by Wenchong Shipyard for shipbuilding purpose. Phase I Relocation Land represents approximately one fifth of the Wenchong Shipyard Land. The Company does not currently expect that the surrender of the Phase I Relocation Land will affect the status or usage of the remaining portion of the Wenchong Shipyard Land which has also been used for shipbuilding purpose since the Phase I Relocation Land and the remaining portion have been operated independently. The remaining portion of the Wenchong Shipyard Land is also subject to the overall planning of Guangzhou Municipal Government. However, as at the Latest Practicable Date, Wenchong Shipyard has no information as to exactly when the relocation of the remaining portion of the Phase I Relocation Land will take place. Having said that, if Wenchong Shipyard is to enter into further relocation agreement with respect to the

LETTER FROM THE BOARD

remaining portion of the Wenchong Shipyard Land, the Company will further re-assess the impact it may have on the overall production and operation of Wenchong Shipyard. As at the Latest Practicable Date, there is no concrete plan as to whether and when Wenchong Shipyard will enter into any further relocation agreement. In any event, the Company will comply with the requirements under the Listing Rules if Wenchong Shipyard is to enter into any further relocation agreement.

Principal Terms of the Relocation Agreement

Date

26 April 2019

Parties

- (1) Wenchong Properties; and
- (2) Wenchong Shipyard.

Subject matter

Wenchong Properties owns the real estate right and state-owned land use right in respect of the Wenchong Shipyard Land, and Wenchong Shipyard is the actual user of the Wenchong Shipyard Land pursuant to the Lease Agreement.

Pursuant to the overall planning of Guangzhou Municipal Government in 2013, the Wenchong Shipyard Land is no longer suitable for industrial use in shipbuilding in accordance with the function planning for the region in which it is located. In order to cope with the reconstruction and development by Wenchong Properties of old towns, old plants and old villages for the Wenchong Shipyard Land, Wenchong Shipyard has agreed to cease production at the Phase I Relocation Land of the Wenchong Shipyard Land and will hand over the relevant assets (i.e. machineries and equipment belonging to Wenchong Properties as successor of Guangzhou Ship at the Phase I Relocation Land which were leased along with the Wenchong Shipyard Land to Wenchong Shipyard under the Lease Agreement). Wenchong Shipyard has made reasonable adjustments to the production plan involved in the Phase I Relocation Land, and will be responsible for arranging the demolition and removal of the existing buildings and structures erected on the land within the scope of demolition and the relevant demolition and construction. Wenchong Properties has agreed to pay to Wenchong Shipyard a compensation of RMB1,400 million in total, including RMB558 million as compensation for relocation and resettlement and RMB842 million as compensation for loss from shutdown.

LETTER FROM THE BOARD

Payment method of compensation

The compensation shall be payable in cash. Wenchong Properties shall pay RMB714 million, being 51% of the total compensation, to Wenchong Shipyard by 30 April 2019; RMB686 million, being the remaining 49% of the total compensation, shall be payable by 29 April 2020.

Liquidated damages

- (i) If Wenchong Properties fails to pay the compensation to Wenchong Shipyard in accordance with the requirements of the Relocation Agreement, it shall pay to Wenchong Shipyard liquidated damages of 0.05% of the delayed payment for each day of default.
- (ii) If Wenchong Shipyard fails to complete the handover of the Phase I Relocation Land (and the handover of machineries and equipment belonging to Wenchong Properties as successor of Guangzhou Ship) and the demolition and removal of the existing buildings and structures erected thereon required by Wenchong Properties as and when the Relocation Agreement becomes unconditional, it shall pay to Wenchong Properties a compensation commencing retrospectively from 1 May 2019 calculated on the basis of RMB10 million each year (a period of less than one month shall be counted as one month) until the completion of handover of the Phase I Relocation Land in full and the demolition and removal of the existing buildings erected thereon required by Wenchong Properties as set out in the Relocation Agreement. In such case, the progress of payment by Wenchong Properties under the Relocation Agreement shall be extended accordingly.

The liquidated damages of RMB10 million per year which Wenchong Shipyard is liable to be payable if it fails to perform item (ii) above is determined based on arm's length negotiation between the parties to the Relocation Agreement, having reference to the current annual rental payable for the Phase I Relocation Land under the Lease Agreement and the likely additional costs and expenses which Wenchong Properties may suffer.

LETTER FROM THE BOARD

3. CONDITION PRECEDENT

Completion of the Relocation Agreement is conditional upon the fulfilment or waiver, if applicable, of the following conditions:

- (i) each of Wenchong Properties and Wenchong Shipyard has confirmed in writing on 26 April 2019 of the status on completion of the relocation from the Phase I Relocation Land of the Wenchong Shipyard Land;
- (ii) Wenchong Shipyard has performed its internal decision-making procedures in accordance with its articles of association and the relevant rules and has approved the matter contemplated under the Relocation Agreement, including the obtaining by the Company, as the ultimate controlling shareholder of Wenchong Shipyard, of the approval at a general meeting for the Transaction under the Listing Rules.

As at the Latest Practicable Date, the condition (i) above has been fulfilled. The purpose of the written confirmation in condition (i) is to confirm whether the parties are ready, willing and able to complete the handover of the Phase I Relocation Land (and the handover of machineries and equipment belonging to Wenchong Properties as successor of Guangzhou Ship) and demolition and removal of the existing buildings and structures erected thereon required by Wenchong Properties and the associated payment obligations pursuant to the terms of the Relocation Agreement, subject nevertheless to fulfilment of condition (ii) above.

4. BASIS FOR DETERMINATION OF COMPENSATION

The compensation amount includes compensation for relocation and resettlement and compensation for loss from shutdown.

The compensation for relocation and resettlement was determined based on arm's length negotiation between the parties to the Relocation Agreement and having taken into consideration the following factors:

- (i) *The compensation for loss to be suffered by Wenchong Shipyard during the period from the shutdown at the Phase I Relocation Land to the resumption of production*

The Phase I Relocation Land includes shipyard workshops, steel pre-treatment workshops, shipbuilding and shacks and other shipyard line structures and equipment. According to the maximum production capacity of the production line, the Phase I Relocation Land can accommodate the construction of up to five vessels (mainly based on ship types such as container ships, krill ships and dredgers) every year, with a total production output value of approximately RMB1.4 billion. Taking into account the average gross profit margin in the previous 5 years of 6.37% and the maximum capacity at the peak in the previous five years, the compensation for loss arising out of the suspension in production and operation at the Phase I Relocation Land until the resumption of production at new plant (currently estimated up to 5 years) is estimated to be approximately RMB446 million.

LETTER FROM THE BOARD

In addition, the Group expects that it will incur relocation and resettlement costs of approximately RMB564 million if it has to vacate from the Phase I Relocation Land and to reconstruct the same shipbuilding and auxiliary facilities on another production site with similar size, capacity and facilities, etc. as the production line at the Phase I Relocation Land. The costs, after deduction of the proceeds from disposal of certain equipment and facilities in the Phase I Relocation Land (estimated at net book value as at 31 March 2019) of approximately RMB38 million and addition of the equipment and facilities demolition cost of approximately RMB32 million (comprising three major items for demolition including (i) building with gross floor area of approximately 42,000 square meters; (ii) shipbuilding platforms of approximately 25,000 cubic meters; and (iii) roads with gross floor area of approximately 78,000 square meters), have taken into account the estimated expenses for packing and transporting fixed assets such as equipment and machinery to new plants, cost of wear and tear, insurance, new plant installation fees, the costs of demolition and removal of buildings and structures erected thereon and reconstruction cost, etc. The budget for the relocation and resettlement costs was primarily based on quotations from different independent contractors, service providers and logistic company with respect to the reconstruction and installation of a production line with similar size, capacity and facilities, etc. as the production line at the Phase I Relocation Land.

- (ii) *The compensation to be made by Wenchong Shipyard for the termination of employment to employees (should it choose to) due to changes in the place and position of work in accordance with the relevant requirements of the PRC government labour law*

In accordance with the relevant requirements of the PRC government labour law, Wenchong Shipyard is required to pay compensation to employees for termination of employment (should it choose to) due to changes in the place and position of work.

- (iii) *The allowance (if required) to be paid by Wenchong Shipyard to its existing employees during the period from the shutdown at the Phase I Relocation Land to the resumption of production*

In accordance with the relevant requirements of the PRC government labour law, Wenchong Shipyard is required to pay allowance to its existing employees during the period from the shutdown at the Phase I Relocation Land to the resumption of production.

The compensation and allowance (if required) to be paid by Wenchong Shipyard are estimated to be approximately RMB396 million. The basis of both compensation for termination of employment and allowance has taken into consideration (i) Wenchong Shipyard had 435 employees registered under the Phase I Relocation Land as of 25 April 2019; (ii) the average annual wages per employee of approximately RMB168,000 in 2018; (iii) the growth rate of wages at approximately 4% per annum according to Wenchong Shipyard's historical figures; and (iv) workers' turnover rate of approximately 2% per annum according to Wenchong Shipyard's historical figures.

LETTER FROM THE BOARD

The Company would like to stress that the compensation for relocation and resettlement and compensation for loss from shutdown including the basis thereof are indicative of the possible loss and payment obligation based on the currently available information Wenchong Shipyard would likely incur if it was to relocate to new plant with new installation and facilities.

So far, Wenchong Shipyard has no detailed relocation plan, although it intends to complete the relocation within five years from cessation of production in order to take advantage of the tax benefit for relocation according to the State Administration of Taxation of the PRC. For the time being, Wenchong Shipyard has made reasonable adjustments to the product production plan involved in the Phase I Relocation Land by incorporating the production line involved in the Phase I Relocation Land and the existing employees into other existing production lines of Wenchong Shipyard and Huangpu Wenchong, its holding company. In the longer run within the 5 year period, Wenchong Shipyard proposes to will negotiate with the PRC government for the grant of land(s) for industrial user with shipbuilding function for use by Wenchong Shipyard.

The Company considers that the compensation serves as an incentive for Wenchong Shipyard to vacate from the Phase I Relocation Land as soon as practicable. As such, it is entirely at the discretion of Wenchong Shipyard to decide the extent and when it would incur costs and expenses on relocation and resettlement, termination of employment with employees due to changes in the place and position of work and/or compensate its existing employees during the period from the shutdown at the Phase I Relocation Land to the resumption of production.

Based on the analysis above, the Directors, (including the independent non-executive Directors) are of the view that the compensation of RMB1,400 million and the basis for determination of the compensation are fair and reasonable.

5. INFORMATION ON THE GROUP AND OTHER PARTIES

The Company

The Company 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 expedition equipment. Currently, the Company has two major subsidiaries, namely GSI and Huangpu Wenchong, and their principal activities cover four major segments including defense equipment, shipbuilding, offshore engineering and non-ship business, with principal products of shipbuilding and marine products including military ships, special supporting ships, public service ships, oil tankers, feeder container ships, ro-ro passenger ships, semi-submerged ships and polar module carriers, offshore platform, as well as non-ship products including steel structures and sets of electromechanical equipment.

LETTER FROM THE BOARD

Huangpu Wenchong

Huangpu Wenchong was established in the PRC on 1 June 1981. As at the Latest Practicable Date, it is a non-wholly-owned subsidiary of the Company. Huangpu Wenchong is principally engaged in the manufacture of equipment for railways, ships, aerospace and other transportation equipment.

Wenchong Shipyard

Wenchong Shipyard was established in the PRC on 22 August 1981. As at the Latest Practicable Date, Wenchong Shipyard is wholly-owned by Huangpu Wenchong. Wenchong Shipyard is principally engaged in the manufacture of equipment for railways, ships, aerospace and other transportation facilities.

Wenchong Properties

Wenchong Properties was established in the PRC on 30 November 2018 and is a company held directly as to 100% by CSSC. Wenchong Properties is principally engaged in metal ship manufacturing; project investment (excluding these projects the operation of which requires a permit and the projects prohibited by laws and regulations), property management; site leasing (excluding warehousing); housing leasing; manufacturing of marine equipment.

6. REASONS FOR AND BENEFITS OF THE TRANSACTION AND FINANCIAL IMPACT ON THE GROUP

Production has been ceased at the Phase I Relocation Land of Wenchong Shipyard since 2019, and Wenchong Shipyard will proceed to hand over the Phase I Relocation Land and the relevant machineries and equipment belonging to Wenchong Properties as successor of Guangzhou Ship once the Relocation Agreement becomes unconditional. Wenchong Shipyard has made reasonable adjustments to the product production plan involved in the Phase I Relocation Land by incorporating the production line involved in the Phase I Relocation Land and the existing employees into other existing production lines of Wenchong Shipyard and Huangpu Wenchong, its holding company.

By reasons set out below, the Company believes that the matter under the Relocation Agreement will have a minimal impact on the overall production and operation of Wenchong Shipyard and the Company:

- (i) the surrender of the Phase I Relocation Land will not affect the status or usage of the remaining portion of the Wenchong Shipyard Land since the Phase I Relocation Land and the remaining portion have been operated independently;

LETTER FROM THE BOARD

- (ii) reasonable adjustments to the product production plan involved in the Phase I Relocation Land have been made so that all existing orders on hand will be undertaken by other existing production lines of Wenchong Shipyard and Huangpu Wenchong, its holding company; and
- (iii) for the two financial years ended 31 December 2018, Wenchong Shipyard has incurred a loss of approximately RMB27.47 million and a gain of approximately RMB1.12 million. It is expected that the suspension in production and operation at the Phase I Relocation Land will not significantly impact on the overall profit of Wenchong Shipyard and the Group.

As such, the Directors believe that the relocation of the Phase I Relocation Land will not result in the loss of existing customers or orders on hand of Wenchong Shipyard, nor will it cause any significant disruption to the normal production of Wenchong Shipyard.

Out of the total compensation of RMB1,400 million, compensation for loss from shutdown and compensation for relocation and resettlement in the amount of RMB1,368 million under the Relocation Agreement represent the other gains and income (which being non-operating revenue) for the contemporaneous period and will increase total other gains and income of Wenchong Shipyard for the contemporaneous period in 2019 by approximately RMB1,368 million. Equipment and facilities demolition cost in the amount of RMB32 million will be included in profit or loss after deducting settlement cost upon completion of relocation from the Phase I Relocation Land. After discussion with the auditors of Wenchong Shipyard, the auditors initially are in agreement with such accounting treatments. Accordingly, it is expected that the Relocation Agreement will have a positive effect on the financial position of the Company for 2019.

Although the entering into the Relocation Agreement is not within the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the Relocation Agreement and its associated terms (including the compensation of RMB1,400 million) were determined following arm's length negotiations between Wenchong Properties and Wenchong Shipyard, are fair and reasonable, on normal commercial terms, and in the interests of the Company and its shareholders as a whole.

7. IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios in respect of the transaction contemplated under the Relocation Agreement exceed(s) 5% but is/are less than 25%, the transaction contemplated under the Relocation Agreement constitutes a discloseable transaction of the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Wenchong Properties is a company held directly as to 100% by CSSC, which in turn is the controlling shareholder of the Company. As such, under Rule 14A.07(4) of the Listing Rules, Wenchong Properties is an associate of a connected person of the Company and the transaction contemplated the Relocation Agreement also constitutes a connected transaction of the Company. As one or more applicable percentage ratios in respect of the transaction contemplated under the Relocation Agreement exceed(s) 5% but is/are less than 25%, in addition to the reporting and announcement requirements, the transaction contemplated under the Relocation Agreement is also subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since each of Mr. Han Guangde, Mr. Chen Zhongqian, Mr. Chen Liping, Mr. Sheng Jigang, Mr. Xiang Huiming, Mr. Chen Ji and Mr. Shi Jun holds managerial positions at CSSC and/or its associates, in accordance with the Company's internal control policy on connected transactions, they had abstained from voting on the board resolution of the Company to approve the entering into the Relocation Agreement.

II. APPOINTMENT OF AUDITORS FOR 2019

Pursuant to the relevant regulations of the securities supervisory institutions of its listing place, the Company has to appoint accounting firm with recognised qualification and independency to conduct audit and issue auditors' reports for the Company.

ShineWing Certified Public Accountants LLP has provided audit services to the Company for 8 consecutive years. During the period of providing audit services to the Company, it practically performed duties and responsibilities of audit institutions with due diligence under the principle of independent audit. In view of the fact that ShineWing has provided audit services to the Company for 8 consecutive years and to ensure the independence of the Company's audit work in conjunction with the Company's actual situation, the Company would not appoint ShineWing as the annual audit institution and internal control audit institution for 2019.

The Company proposes to appoint WUYIGE Certified Public Accountants LLP as the Company's domestic and overseas auditors for 2019 with a term of one year. Subject to obtaining approval from Shareholders at the AGM, the proposed total remuneration for appointing WUYIGE Certified Public Accountants LLP as the Company's domestic and overseas auditors for 2019 is RMB1,900,000 annually (including tax, of which, the fee for auditing the financial statements is RMB1,560,000 annually and the fee for the internal audit is RMB340,000 annually).

LETTER FROM THE BOARD

The audit committee under the Board has conducted sufficient review and discussion regarding the Proposal on the Appointment of Auditors for 2019, and agreed to the proposal. The independent non-executive Directors of the Company are of the view that appointing WUYIGE Certified Public Accountants LLP as the Company's domestic and overseas auditors for 2019 has relevant qualifications and can meet sufficiently the domestic and international requirements for the financial auditing and internal auditing works, and can conduct the review of the Company's financial and internal control status independently, objectively and impartially. The decision on appointment of the accounting firm by the Company complies with the stipulation of the relevant laws and regulations and the Company's articles, and there does not exist any situation that may prejudice the interests of the Company and its minority shareholders.

The Proposal on the Appointment of Auditors for 2019 shall be submitted to the AGM as an ordinary resolution for consideration and approval by the Shareholders.

III. ELECTION OF SUPERVISOR

Reference is made to the announcement of the Company dated 26 April 2019 in relation to the Company's proposed appointment of Supervisor.

Mr. Zhu Zhengfu has tendered a written resignation letter to the Company for the resignation as a supervisor under the ninth session of the supervisory committee of the Company, and Ms. Chen Shu (陳舒) has been nominated by CSSC, the controlling shareholder of the Company, as candidate for supervisor under the ninth session of the supervisory committee of the Company. An ordinary resolution will be proposed at the AGM for, among other things, electing Ms. Chen Shu as the Supervisor to fill the vacancy left by Mr. Zhu Zhengfu.

The biographic details of Ms. Chen Shu, the proposed supervisor, are set out below:

Ms. Chen Shu, aged 65, graduated from the law school of Sun Yat-sen University with a bachelor's degree in law in June 1990. She is a senior lawyer. She successively served as officer and deputy director of Guangzhou Liwan Justice Bureau, lawyer at Kingpound Law Firm, secretary-general of Guangzhou Lawyer Association and arbitrator at Guangzhou Arbitration Commission, independent director of Shenzhen Accord Pharmaceutical Co., Ltd. (listed on the Shenzhen Stock Exchange), Guangdong DaHuaNong Animal Health Products Co., Ltd. (listed on the Shenzhen Stock Exchange) and Guangdong Evergreen Feed Industry Co., Ltd.. She is currently an advisor on legal affairs of the 13th Guangzhou Municipal Committee of the Chinese People's Political Consultative Conference, executive deputy president and secretary-general of Guangzhou People's Congress System Research Association, editor-in-chief of Guangzhou Lawyer published by Guangzhou Lawyer Association, lawyer at Sino-win Law Firm, legislative consultant of the Standing Committee of the 13th Guangdong Provincial People's Congress, independent director of Kingfa Science & Technology Co., Ltd. (listed on the Shanghai Stock Exchange), Wens Foodstuff Group Co., Ltd. (listed on the Shenzhen Stock Exchange) and Guangzhou Port Co., Ltd. (listed on the Shanghai Stock Exchange) and an outside director of Guangzhou Yuexiu Holding Limited.

LETTER FROM THE BOARD

Save as disclosed above, Ms. Chen Shu has not held any other position with the Company or any other member of the Group or any position with any other listed company in the last three years. Save as disclosed, Ms. Chen Shu has no relationship with any director, supervisor, member of senior management, substantial shareholder or controlling shareholder of the Company. Ms. Chen Shu does not have any interests (within the meaning of Part XV of the SFO) in the shares of the Company.

The initial term of service of Ms. Chen Shu will commence on the date on which her appointment is approved at the AGM and end on the expiry of the term of office of the ninth session of the supervisory committee of the Company. Subject to the approval at the AGM the election of Ms. Chen Shu as a supervisor under the ninth session of the supervisory committee of the Company, the Company will enter into a service contract with Ms. Chen Shu, under which the remuneration of Ms. Chen Shu will be determined in accordance with the remuneration policies of the Company.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there are no other matters relating to the appointment of Ms. Chen Shu required to be brought to the attention of the shareholders, nor is there any information regarding Ms. Chen Shu required to be disclosed in accordance with the requirements of the Listing Rules.

The Proposal to elect Ms. Chen Shu as supervisor of the Company shall be submitted to the AGM as an ordinary resolution for consideration and approval by the Shareholders.

IV. AGM

The AGM will be held at the Conference Room, 2nd Floor, Hongfan Hotel, No. 126 Gexin Road, Haizhu District, Guangzhou, the PRC at 10:30 a.m. on Tuesday, 28 May 2019. The notice convening the AGM, the proxy form and the reply slip have been sent to the Shareholders on 22 March 2019. The supplemental notice convening the AGM and the revised proxy form have been sent to the Shareholders on 7 May 2019.

Any Shareholder who is entitled to attend and vote at the AGM has the right to appoint one or more proxies to do so on behalf of himself. The proxy need not be a Shareholder. In order to ensure validity, a completed proxy form and other authorization documents (if any) must be delivered to the registered office of the Company not less than 24 hours before the time scheduled for the holding of the AGM. Shareholders of H shares must deliver the completed proxy forms and other authorization documents (if any) to the Company's H share Registrar, Hong Kong Registrars Limited, at Hopewell Center at 17M Floor, 183 Queen's Road East, Wan Chai, Hong Kong. A Shareholder who has completed and delivered a proxy form can still attend the AGM and vote in person.

LETTER FROM THE BOARD

CSSC and its close associates will abstain from voting on the resolution on the connected transaction in relation to the entering into the Phase 1 Relocation Agreement of Wenchong Shipbuilding by the Company's holding subsidiary at the AGM. As at the Latest Practicable Date, CSSC and its close associates are entitled to exercise or control the exercise of the voting rights of a total of 847,685,990 Shares, representing approximately 59.97% of the total issued share capital of the Company. Save as disclosed above, other than CSSC and its close associates, no other shareholders of the Company will be required to abstain from voting at the AGM.

All resolutions to be proposed at the AGM will be voted on by way of poll in accordance with the Listing Rules.

V. RECOMMENDATIONS

Although the entering into the Relocation Agreement is not within the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) consider that the terms of the transaction contemplated under the Relocation Agreement (including the compensation of RMB1,400 million) are on normal commercial terms which are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to support and vote in favour of the resolution for approving Relocation Agreement and the transactions contemplated thereunder at the AGM.

The Directors are of the view that the resolution relating to the election of a Supervisor and the resolution relating to the appointment of auditors for 2019 proposed at the AGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders vote in favor of such resolutions proposed at the AGM.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Relocation Agreement and the transaction contemplated thereunder. Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 18 and 19 of this circular.

Your attention is also drawn to the letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the same set out on pages 20 to 33 in this circular.

The Independent Board Committee, having taking into account the advice of Vinco Capital, considers that although the entering into the Relocation Agreement is not within the ordinary and usual course of business of the Group, the Relocation Agreement and the transaction contemplated thereunder (including the compensation of RMB1,400 million) is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole, and that the terms of the Relocation Agreement and the transaction contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE BOARD

On basis set out above, the Independent Board Committee recommend the Independent Shareholders to vote at the AGM in favour of the ordinary resolution on the connected transaction in relation to the entering into the Phase 1 Relocation Agreement of Wenchong Shipbuilding by the Company's holding subsidiary, thereby approving the Relocation Agreement and the transaction contemplated thereunder.

VI. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

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

(H Share Stock Code: 00317)

10 May 2019

To the Independent Shareholders

Dear Sir and Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION
IN RELATION TO THE ENTERING INTO THE PHASE I RELOCATION
AGREEMENT OF WENCHONG SHIPBUILDING**

We refer to the circular dated 10 May 2019 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Relocation Agreement and the transaction contemplated thereunder as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Relocation Agreement and the transaction contemplated thereunder as set out in the Circular. Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 17 of this Circular and the text of a letter from the Independent Financial Adviser, as set out on pages 20 to 33 of this Circular, both of which provide details of the Relocation Agreement and the transaction contemplated thereunder. Your attention is also drawn to the additional information set out in the Appendix to the Circular.

Having considered the terms of the Relocation Agreement and the transaction contemplated thereunder, the advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that although the entering into the Relocation Agreement is not within the ordinary and usual course of business of the Group, the terms of the Relocation Agreement (including the compensation of RMB1,400 million) and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

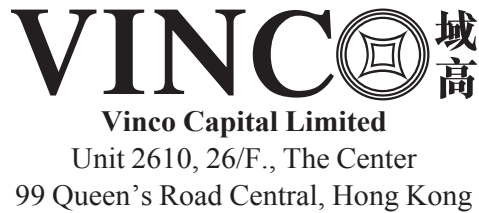
LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution for approving the Relocation Agreement and the transaction contemplated thereunder to be proposed at the AGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Wang Yichu, Min Weiguo, Liu Renhuai and Yu Shiyou
Independent Non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the discloseable and connected transaction contemplated under the Relocation Agreement, which has been prepared for the purpose of incorporation in this circular:



10 May 2019

*To the Independent Board Committee and the Independent Shareholders of
CSSC Offshore & Marine Engineering (Group) Company Limited*

Dear Sirs,

**CONNECTED AND DISCLOSEABLE TRANSACTION
IN RELATION TO THE ENTERING INTO
THE PHASE I RELOCATION AGREEMENT OF WENCHONG SHIPBUILDING**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Relocation Agreement and transaction contemplated thereunder, details of which are set out in the “Letter from the Board” of the circular issued by the Company dated 10 May 2019 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 26 April 2019 (the “**Announcement**”). On 26 April 2019, Wenchong Properties and Wenchong Shipyard entered into the Relocation Agreement, pursuant to which Wenchong Properties agrees to pay to Wenchong Shipyard a total of RMB1,400 million (including RMB558 million as compensation for relocation and resettlement and RMB842 million as compensation for loss from shutdown) as the compensation for the relocation of Wenchong Shipyard from and handover of the Phase I Relocation Land of the Wenchong Shipyard and the loss from shutdown.

LETTER FROM VINCO CAPITAL

As at the Latest Practicable Date, Wenchong Properties is a company held directly as to 100% by CSSC, which in turn is the controlling shareholder of the Company. As such, under Rule 14A.07(4) of the Listing Rules, Wenchong Properties is an associate of a connected person of the Company and the transaction contemplated the Relocation Agreement also constitutes a connected transaction of the Company. As one or more applicable percentage ratios in respect of the transaction contemplated under the Relocation Agreement exceed(s) 5% but is/are less than 25%, the transaction contemplated under the Relocation Agreement is subject to independent shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wang Yichu, Mr. Min Weiguo, Mr. Liu Renhuai and Mr. Yu Shiyong has been formed to advise the Independent Shareholders as to whether the terms of the Relocation Agreement and transaction contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

We, Vinco Capital, have been appointed and have been approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Relocation Agreement and transaction contemplated thereunder are fair and reasonable, and the entering into such agreement is on normal commercial terms, in the ordinary and usual control of business of the Group and in the interests of the Company and the Independent Shareholders as a whole.

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the discloseable and connected transaction contemplated under the Relocation Agreement. Apart from normal professional fees payable to us in connection with Past Appointment and this appointment as the Independent Financial Adviser to the Independent Non-executive Directors, no arrangement existed whereby we had received or will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM VINCO CAPITAL

During the past two years, we were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of a discloseable and connected transaction in relation to acquisition of Wenchong Dockyard (the “**Past Appointment**”). Details of the relevant transaction is set out in the circular of the Company dated 14 November 2018. The professional fees in connection with the appointment have been fully settled and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the terms of the Relocation Agreement and transaction contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

We consider that we have reviewed all currently available information and documents particularly, (i) the audited financial statements of the Wenchong Shipyard for the year ended 31 December 2016, 2017 and 2018; (ii) the annual report of the Company for the year ended 31 December 2018; (iii) the constitutional documents of Wenchong Shipyard and Wenchong Properties; (iv) the overall planning of Guangzhou Municipal Government in 2013; (v) the Relocation Agreement entered into between Wenchong Properties and Wenchong Shipyard; (vi) the list of fixed assets in the Phase I

LETTER FROM VINCO CAPITAL

Relocation Land and their relevant copies of documents in relation to their costs and net book values; (vii) the quotations in relation to the demolition cost and reconstruction cost; and (viii) the basis and assumptions on the compensation under the Relocation Agreement, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the discloseable and connected transaction contemplated under the Relocation Agreement, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the terms of the Relocation Agreement and transaction contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

A. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the terms of the Relocation Agreement and transaction contemplated thereunder, we have considered the principal factors and reasons set out below.

I. Information of the parties

Information of the Company

The Company 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 expedition equipment. Currently, the Company has two major subsidiaries, namely GSI and Huangpu Wenchong, and their principal activities cover four major segments including defense equipment, shipbuilding, offshore engineering and non-ship business, with principal products of shipbuilding and marine products including military ships, special supporting ships, public service ships, oil tankers, feeder container ships, ro-ro passenger ships, semi-submerged ships and polar module carriers, offshore platform, as well as non-ship products including steel structures and sets of electromechanical equipment.

Information of Huangpu Wenchong

Huangpu Wenchong was established in the PRC on 1 June 1981. As at the Latest Practicable Date, it is a non-wholly-owned subsidiary of the Company. Huangpu Wenchong is principally engaged in the manufacture of equipment for railways, ships, aerospace and other transportation equipment.

LETTER FROM VINCO CAPITAL

Information of Wenchong Shipyard

Wenchong Shipyard was established in the PRC on 22 August 1981. As at the Latest Practicable Date, Wenchong Shipyard is wholly-owned by Huangpu Wenchong. Wenchong Shipyard is principally engaged in the manufacture of equipment for railways, ships, aerospace and other transportation facilities.

Information of Wenchong Properties

Wenchong Properties was established in the PRC on 30 November 2018 and is a company held directly as to 100% by CSSC. Wenchong Properties is principally engaged in metal ship manufacturing; project investment (excluding these projects the operation of which requires a permit and the projects prohibited by laws and regulations), property management; site leasing (excluding warehousing); housing leasing; manufacturing of marine equipment.

Under the Listing Rules, Wenchong Properties is an associate of a connected person of the Company, and the transaction contemplated under the Relocation Agreement constitutes a discloseable and connected transaction of the Company.

II. Principal terms of the Relocation Agreement

Date : 26 April 2019

Parties : (1) Wenchong Properties; and
(2) Wenchong Shipyard.

Subject matter : Wenchong Properties owns the real estate right and state-owned land use right in respect of the Wenchong Shipyard Land, and Wenchong Shipyard is the actual user of the Wenchong Shipyard Land pursuant to the Lease Agreement.

Pursuant to the overall planning of Guangzhou Municipal Government in 2013, the Wenchong Shipyard Land is no longer suitable for industrial use in shipbuilding in accordance with the function planning for the region in which it is located. In order to cope with the reconstruction and development by Wenchong Properties of old towns, old plants and old villages for the Wenchong Shipyard Land, Wenchong Shipyard has agreed to cease production at the Phase I Relocation Land of the Wenchong Shipyard Land and will hand over the relevant assets (i.e. machineries and equipment belonging to Wenchong Properties as successor of Guangzhou Ship at the Phase I Relocation Land which were leased along with the

LETTER FROM VINCO CAPITAL

Wenchong Shipyard Land to Wenchong Shipyard under the Lease Agreement). Wenchong Shipyard has made reasonable adjustments to the production plan involved in the Phase I Relocation Land and will be responsible for arranging the demolition and removal of the existing buildings and structures erected on the land within the scope of demolition and the relevant demolition and construction. Wenchong Properties has agreed to pay to Wenchong Shipyard a compensation of RMB1,400 million in total, including RMB558 million as compensation for relocation and resettlement and RMB842 million as compensation for loss from shutdown.

Payment method of the compensation: The compensation shall be payable in cash. Wenchong Properties shall pay RMB714 million, being 51% of the total compensation, to Wenchong Shipyard by 30 April 2019; RMB686 million, being the remaining 49% of the total compensation, shall be payable by 29 April 2020.

Liquidated damages :

- (i) If Wenchong Properties fails to pay the compensation to Wenchong Properties in accordance with the requirements of the Relocation Agreement, it shall pay to Wenchong Shipyard liquidated damages of 0.05% of the delayed payment for each day of default.
- (ii) If Wenchong Shipyard fails to complete handover of the Phase I Relocation Land (and the handover of machineries and equipment belonging to Wenchong Properties as successor of Guangshou Ship) and the demolition and removal of the existing buildings and structures erected thereon required by Wenchong Properties as and when the Relocation Agreement becomes unconditional, it shall pay to Wenchong Properties a compensation commencing retrospectively for the period from 1 May 2019 calculated on the basis of liquidated damages of RMB10 million each year (a period of less than one month shall be counted as one month) until the completion of handover of the Phase I Relocation Land in full and the demolition and removal of the existing buildings erected thereon required by Wenchong Properties as set out in the Relocation Agreement. In such case, the progress of payment by Wenchong Properties under the Relocation Agreement shall be extended accordingly.

LETTER FROM VINCO CAPITAL

The liquidated damages of RMB10 million per year which Wenchong Shipyard is liable to be payable if it fails to perform item (ii) above is determined based on arm's length negotiation between the parties to the Relocation Agreement, having reference to the current annual rental payable for the Phase I Relocation Land under the Lease Agreement and the likely additional costs and expenses which Wenchong Properties may suffer.

Condition Precedent: Completion of the Relocation Agreement is conditional upon the fulfilment or waiver, if applicable, of the following conditions:

- (i) each of Wenchong Properties and Wenchong Shipyard has confirmed in writing on 26 April 2019 of the status on completion of the relocation from the Phase I Relocation Land of the Wenchong Shipyard Land;
- (ii) Wenchong Shipyard has performed its internal decision-making procedures in accordance with its articles of association and the relevant rules and has approved the matter contemplated under the Relocation Agreement, including the obtaining by the Company, as the ultimate controlling shareholder of Wenchong Shipyard, of the approval at a general meeting for the Transaction under the Listing Rules.

As at the Latest Practicable Date, the condition (i) above has been fulfilled. The purpose of the written confirmation in condition (i) is to confirm whether the parties are ready, willing and able to complete the handover of the Phase I Relocation Land (and the handover or machineries and equipment belonging to Wenchong Properties as successor of Guangzhou Ship) and demolition and removal of the existing buildings and structures erected thereon required by Wenchong Properties and the associated payment obligations pursuant to the terms of the Relocation Agreement, subject nevertheless to fulfilment of condition (ii) above.

The compensation in the Relocation Agreement which will be paid by cash has been agreed through negotiation between Wenchong Properties and Wenchong Shipyard. As confirmed by the Company, the compensation paid by Wenchong Properties will be funded by internal resources of Wenchong Properties.

LETTER FROM VINCO CAPITAL

Basis for determination of compensation

As set out in the Letter from the Board, we understand that the compensation for relocation and resettlement was determined based on arm's length negotiation between the parties to the Relocation Agreement and the Company has considered the following factors to determine the compensation for relocation and resettlement and compensation for loss from shutdown:

- (i) Compensation for relocation and resettlement
 - a) For continuing the operation, we understand that Wenchong Shipyard has considered all demolition cost and reconstruction cost of major equipment, facilities, buildings and pipe networks, which amounted to approximately RMB558 million. The total demolition cost and reconstruction cost consist of (i) reconstruction cost of the same shipbuilding and auxiliary facilities on another production site of approximately RMB564 million; (ii) proceeds from disposal of certain equipment and facilities in the Phase I Relocation Land of approximately RMB38 million to cover part of the reconstruction cost; and (iii) demolition cost of the equipment and facilities erected on the Phase I Relocation Land of approximately RMB32 million.
 - (i) In order to access the fair and reasonableness of reconstruction cost, we have discussed with the Directors and understand the Company has approached different independent contractors, service providers and logistic company and obtained one quotation from each of them with respect to the fixed assets required to be erected or installed on another production site with similar production capacity. We understand the computation of the reconstruction cost has been calculated based on the quotations provided by different independent contractors, service providers and logistic company. Due to the fact that (i) relocation is a one-off event; and (ii) the fixed assets to be erected or installed on another production site will be based the above-mentioned quotations, we are of the view that the Company make reference to one quotation from the independent third parties is acceptable and compensation for relocation is adequate.

We have obtained and reviewed the terms and major construction tasks of the above-mentioned quotation prepared by those independent third parties which including but not limited (i) outdoor construction venue; (ii) shipbuilding platforms; (iii) gantry cranes; (iv) hydraulic trolleys; (v) launching and painting facilities; (vi) general workshops and assembly lines; (vii) armored and steel yards; and (viii) outdoor pipe networks. We have also compared the quotation with other historical construction projects (within three years) of the Group with similar nature of tasks as mentioned in above and we note that the quotation are acceptable and in line with other similar construction works previously conducted by the Group. In view of the above, we are of the view that the reconstruction cost of the same shipbuilding and auxiliary facilities on another production site of approximately RMB564 million is fair and reasonable.

LETTER FROM VINCO CAPITAL

- (ii) In addition, as confirmed by the Directors some of the exiting equipment and facilities currently using on the Phase I Relocation Land are obsoleted and cannot be used on the new production site. It is the intention of the Company to dispose the equipment and facilities to off-set a part of the reconstruction cost. We have reviewed a list of equipment and facilities prepared by the Company in the Phase I Relocation Land (the “**Disposal List**”) which will be disposed at their net book value. As confirmed by the Company, the net book value as at the 31 March 2019 of which amount approximately RMB38 million. We have randomly selected and reviewed three samples of the invoices of the equipment and facilities from the Disposal List, which representing approximately 37.0% of the total net book value on the Disposal List. As confirmed by the Company, different fixed assets on the Disposal List were depreciated at different depreciation rate on the straight-line method. We note that the original cost of the equipment and facilities and the first date of using these fixed assets are consistent with those disclosed in the Disposal List. We further examined the net book value with reference to the depreciation rate and the life span of the equipment and facilities which are consistent with the net book value of the selected fixed assets. Taking into consideration (i) the original cost; (ii) the duration of use of the fixed assets; and (iii) depreciation rate and method, we are of the view that the calculation of the net book value on the Disposal List is fair and reasonable.
- (iii) According to the Relocation Agreement, Wenchong Shipyard is liable to remove the all structures in the Phase I Relocation Land. As such, the demolition cost is borne by Wenchong Shipyard, which will be taken into consideration under the Relocation Agreement. There are three major items for demolition including (i) buildings with gross floor area of approximately 42,000 square meters; (ii) shipbuilding platforms of approximately 25,000 cubic meters; and (iii) roads with gross floor area of approximately 78,000 square meters (collectively referred as to “**Demolition Items**”). We have obtained the architectural drawing, the relevant properties certificate and quotation for the demolition cost prepared by an independent third parties. The architectural drawing indicates the Phase I Relocation Land with the area of all structures and non-structures such as roads, which matches the property certificate which has been approved by the relevant government authorities. We do not cast any doubt on the area of Demolition Items. In addition, we have reviewed one sample of quotation for the demolition cost prepared by an independent third party, which states the description, area and unit price of the demolition work including the fees such as transportation, wages and tax, for the Demolition Items. As such, we are of view that the calculation of the demolition cost is fair and reasonable.

LETTER FROM VINCO CAPITAL

In view of the above, we concur with the Directors' view that the relocation cost should take into consideration of the reconstruction cost, proceeds from disposal of certain equipment and facilities in the Phase I Relocation Land and demolition cost of the equipment and facilities erected on the Phase I Relocation Land. Accordingly, we are of the view that the calculation of the compensation for relocation and resettlement of approximately RMB558 million is fair and reasonable.

- (ii) Compensation for loss during the period from the shutdown at the Phase I Relocation Land to the resumption of production
 - a) In order to assess the loss during the period from the shutdown at the Phase I Relocation Land to the resumption of production (estimated up to five years), we have discussed with the management about the key factors consist in the computation. We are given to the understand that the Company has made reference to the following factors: (i) total maximum capacity of the production line at the Phase I Relocation Land; (ii) orders on hand; (iii) production planning; (iv) total production output value at the peak; (v) production cost; and (vi) duration of the relocation plan could be completed within five years (in order to take advantage of the benefit for relocation in accordance with an announcement by the State Administration of Taxation of the PRC). As advised by the Company, based on the current production capacity of the production line in the Phase I Relocation Land, the Company can accommodate the construction of up to five vessels (mainly based on ship types such as container ships, krill ships and dredgers) (the “**Historical Five Vessels Contracts**”) every year with a total maximum production output value of approximately RMB1.4 billion in accordance with historical production records. As confirmed by the Directors, the Company has secured contracts for building more than 10 vessels which expected to be completed and delivered in the coming five years (the “**Future Vessels Contracts**”). In this regard, we have obtained and reviewed the key terms and contract sum of each contracts of the Historical Five Vessels Contracts and Future Vessels Contracts. In view of the fact that (i) description, class, specification and the principal particulars and dimensions of the vessel such as length, depth moulded and deadweight at scantling draft; and (ii) the contract price, are similar among the Historical Five Vessels Contracts and the Future Vessels Contracts, we are of the view that the Future Vessels Contracts are comparable to the Historical Five Vessels Contracts. Based on our discussion with the Directors, we note that the Company applied the average gross profit margin of Wenchong Shipyard in the previous five years of approximately 6.37% to

LETTER FROM VINCO CAPITAL

derive compensation. To verify the gross profit margin, we have reviewed the audited report of Wenchong Shipyard for the five years ended 31 December 2018. The average gross profit margin proposed by the Company are in line with the audited reports. We also are of the view that five years is a justifiable time period to determine the average gross profit margin. Given that the current production capacity of the production line in the Phase I Relocation Land can accommodate the construction of up to five vessels every year with a total production output value of approximately RMB1.4 billion, the average gross profit margin of Wenchong Shipyard in the previous five years of approximately 6.37%, the secured contracts on hands could fully utilize the maximum production capacity of production line in the Phase I Relocation Land and the resumption of production (estimated up to five years), we are of the view that the basis and assumptions for estimation of compensation for loss is fair and reasonable. In this regard, we concur with the Directors that the estimated compensation for loss arising out of the suspension in production and operation at the Phase I Relocation Land would be approximately RMB446 million.

- b) As confirmed by the Company, in accordance with the relevant requirements of the PRC government labour law (中華人民共和國勞動合同法), the Wenchong Shipyard is required to pay compensation to employees for the termination of employees (should it choose to) due to changes in the place and position of work. In addition, Wenchong Shipyard is required to pay allowance to its existing employees during the period from the shutdown at the Phase I Relocation Land to the resumption of production. The basis of both compensation for termination of employment and allowance has taken into consideration (i) 435 employees registered under the Phase I Relocation Land as of 25 April 2019; (ii) the average annual wages per employee of approximately RMB168,000 in 2018; (iii) the growth rate of wages at approximately 4% per annum according to Wenchong Shipyard's historical figures; and (iv) workers' turnover rate of approximately 2% per annum according to Wenchong Shipyard's historical figures. As discussed with the Directors, in addition to the above factors, the Company has considered the five-year relocation plan due to the tax benefit. We have also reviewed the staff records prepared by Wenchong Shipyard and we note that the compensation and allowance (if required) are calculated in accordance with the data in the staff records. Therefore, we are of the view that the compensation and allowance (if required) to be paid by Wenchong Shipyard are estimated to be approximately RMB396 million is fair and reasonable.

LETTER FROM VINCO CAPITAL

In view of the above, we concur with the Directors' view that the compensation for loss during the period from the shutdown at the Phase I Relocation Land to the resumption of production should take into consideration of the estimated loss of revenue due to shutdown and the compensation and allowance (if required) to be paid by Wenchong Shipyard to employees. Also, we are of the view that the compensation for loss during the period from the shutdown at the Phase I Relocation Land to the resumption of production of approximately RMB842 million is fair and reasonable.

Based on the above, we are of the view that (i) compensation for relocation and resettlement under the Relocation Agreement; (ii) compensation loss during the period from the shutdown at the Phase I Relocation Land to the resumption of production are fair and reasonable.

III. Reasons for and benefits of the transaction

According to the overall planning of Guangzhou Municipal Government in 2013, the Wenchong Shipyard Land is no longer suitable for industrial use in shipbuilding in accordance with the function planning for the region in which it is located. In accordance with the relevant requirements for management of state-owned assets, Wenchong Shipyard Land was held by Guangzhou Ship. In or about January 2019, the real estate right and state-owned land use right in respect of the Wenchong Shipyard Land was transferred to Wenchong Properties, subject to and with the benefit of the Lease Agreement.

The Lease Agreement was entered into as an arrangement for supporting the normal production and operation of Wenchong Shipyard at the Wenchong Shipyard Land until its relocation. The rent for leasing the Wenchong Shipyard Land including the relevant ancillary domestic area and buildings thereon was based on existing land amortisation, property depreciation and relevant taxes and expenses. The rent for the Wenchong Shipyard Land, which has not been varied since May 2014, shall be paid on an annual basis. The term of, among other things, the Wenchong Shipyard Land under the Lease Agreement will end on the date on which the relocation of Wenchong Shipyard is completed and it resumes formal production.

LETTER FROM VINCO CAPITAL

As confirmed by the Directors, the production has been ceased at the Phase I Relocation Land of Wenchong Shipyard since 2019, and Wenchong Shipyard will proceed to hand over the Phase I Relocation Land and the relevant machineries and equipment belonging to Wenchong Properties as successor of Guangzhou Ship once the Relocation Agreement becomes unconditional as advised by the Directors. Wenchong Shipyard has made reasonable adjustments to the product production plan involved in the Phase I Relocation Land by incorporating the production line involved in the Phase I Relocation Land and the existing employees into other existing production lines of Wenchong Shipyard and Huangpu Wenchong, its holding company. Accordingly, the Directors believe that the relocation of the Phase I Relocation Land will not cause any disruption in the normal production of Wenchong Shipyard.

IV. Possible financial effects on the Group

As disclosed in the Letter from the Board, the compensation will be paid by cash by two instalments from Wenchong Properties.

The immediate effect of compensation for loss from shutdown and compensation for relocation and resettlement in the amount of RMB1,368 million under the Relocation Agreement is increasing Wenchong Shipyard's other gains and income and giving a positive effect on the Group's working capital at time the Group is entitled to receive or the Group receives the proceeds. Equipment and facilities demolition cost in the amount of RMB32 million will be included in the profit and loss after deducting settlement cost upon completion of relocation from the Phase I Relocation Land. As confirmed by the auditors of Wenchong Shipyard, the auditors initially are in agreement with such accounting treatments.

As discussed with the management, the Company believes that the matter under the Relocation Agreement will have a minimal impact on the overall production and operation of Wenchong Shipyard and the Company: (i) the surrender of the Phase I Relocation Land will not affect the status or usage of the remaining portion of the Wenchong Shipyard Land since the Phase I Relocation Land and the remaining portion have been operated independently; (ii) reasonable adjustments to the product production plan involved in the Phase I Relocation Land have been made so that all existing orders on hand will be undertaken by other existing production lines of Wenchong Shipyard and Huangpu Wenchong, its holding company; and (iii) for the two financial years ended 31 December 2018, Wenchong Shipyard has incurred a loss of approximately RMB27.47 million and a gain of approximately RMB1.12 million. It is expected that the suspension in production and operation at the Phase I Relocation Land will not significantly impact on the overall profit of Wenchong Shipyard and the Group.

LETTER FROM VINCO CAPITAL

Having taken into consideration that the compensation is to cover the relocation cost, resettlement cost, compensation to employees and compensation loss, it is expected to have positive impact to the financial performance of the Group with respect to the compensation receivables and we are of the view that the above-mentioned cost to be incurred by the Wenchong Shipyard will be fully covered by the compensation of RMB1,400 million receivable from Wenchong Properties.

Although the entering into the Relocation Agreement is not within the ordinary and usual course of business of the Group, we are of the view that the Relocation Agreement and the compensation of RMB1,400 million, are fair and reasonable, on normal commercial terms, and in the interests of the Company and its shareholders as a whole.

B. RECOMMENDATION

Having taken the above principal factors and reasons into consideration, although the entering into the Relocation Agreement are not within the ordinary and usual course of business of the Group, we are of the view the terms of the transaction contemplated under the Relocation Agreement (including the compensation of RMB1,400 million) are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Relocation Agreement (including the compensation of RMB1,400 million) and the transaction contemplated thereunder are fair and reasonable. Therefore, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the AGM to approve the Relocation Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than the Directors, Supervisors and chief executive of the Company) had or are deemed or taken to have an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group and were recorded in the register to be kept under section 336 of the SFO:

Name	Capacity	Number of shares held	Class of Shares held	Percentage of relevant class of Shares	Percentage of total issued share capital
CSSC	Beneficial owner	501,745,100 (L)	A Shares	61.08%	35.50%
		345,940,890 (L)	H Shares	58.43%	24.47%

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

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no other person (other than the Directors, Supervisors and chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

3. DIRECTORS' AND SUPERVISORS' INTERESTS

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which had otherwise been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date,

- (a) none of the Directors had entered into any existing or proposed service contract with the Company, excluding those contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation; and
- (b) none of the Directors or their associates had any direct or indirect interest in any assets which had been, since 31 December 2018 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by, or leased to any member of the Group, or proposed to be acquired, or disposed of by, or leased to any member of the Group.

4. COMPETING INTERESTS AND OTHER INTERESTS

So far as the Directors were aware, none of the Directors or their respective associates had any interests which competes or is likely to compete, either directly or indirectly with the business of the Group.

None of the Directors or their associates was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

5. EXPERT

The following are the qualifications of the professional advisers who have given opinions or advice which are contained in this circular:

Name	Qualifications
Vinco Capital	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Vinco Capital

- (a) did not have any direct or indirect shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) has given and has not withdrawn its written consent to the issue of this circular with its letter of advice and the references to its name and logo in the form and context in which they are included; and
- (c) did not have any direct or indirect interest in any assets which had been, since 31 December 2018 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by, or leased to any member of the Group, or proposed to be acquired, or disposed of by, or leased to any member of the Group.

The letter of advice from Vinco Capital is given as of the date of this circular for incorporation herein.

6. LITIGATION

At the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited financial statements of the Company were made up.

8. GENERAL

- (a) The registered office of the Company is located at 40 South Fangcun Main Road, Liwan District, Guangzhou, The People's Republic of China, Postal Code: 510382;
- (b) The H share registrar and H share transfer office of the Company is Hong Kong Registrars Ltd. at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong;
- (c) The company secretary of the Company is Mr. Li Zhidong. Mr. Li Zhidong, aged 53, senior engineer. He graduated from Shanghai Jiaotong University with a bachelor's degree, majored in ship engineering, in engineering in July 1987 and obtained a master degree in November 1997. He served as head of general office, chief legal advisor, assistant to general manager, board secretary and secretary of Hong Kong company of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently secretary to the Board of the Company;
- (d) The following directors are directors or employees of the CSSC Group: Mr. Han Guangde is the chairman of the board of directors and the party secretary of Guangzhou Shipbuilding Industry Co., Ltd.* (廣州船舶工業有限公司); Mr. Chen Ji is the party secretary of Guangzhou Shipyard Co., Ltd.* (廣州造船廠有限公司); Mr. Shi Jun is the deputy director of the business management department of CSSC. Save as disclosed above, so far as known to the Directors, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO; and
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Herbert Smith Freehills, the legal advisers to the Company on Hong Kong laws, at 23rd Floor, Gloucester Tower, the Landmark, 15 Queen's Road, Central, Hong Kong during 9:00 a.m. to 5:00 p.m. on any day on which licensed banks in Hong Kong are open for ordinary business (excluding public holidays and Saturdays) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the letter from the Independent Board Committee, as set out in this circular;
- (b) the letter from Vinco Capital, the Independent Financial Adviser, as set out in this circular;
- (c) the consent letter referred to in the section headed "Expert" in this Appendix;
- (d) the Relocation Agreement; and
- (e) this circular.