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

Announcement on the Receipt of the Letter from the Controlling Shareholder on the Request for Exemption of Performance of Step 3 of the Undertaking to Further Avoid Horizontal Competition

The board of directors and all directors of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from, this announcement, and severally and jointly accept responsibilities for the truthfulness, accuracy and completeness of its contents.

This announcement is made by the board of directors (the “**board**”) of CSSC Offshore & Marine Engineering (Group) Company Limited (“**COMEC**”, the “**Company**” or the “**Listed Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company received the “Undertaking on Further Avoiding Horizontal Competition” issued by China State Shipbuilding Corporation Limited (“**CSSC**”) on 14 August 2019 during the course of the Company’s major asset restructuring projects. Details of which, please refer to the “Announcement on the Receipt of Undertaking to Further Resolve Horizontal Competition of the Controlling Shareholder by COMEC” published by the Company.

On 25 October 2019, the Company received a letter from CSSC, and CSSC received the Notice regarding the Restructuring of China State Shipbuilding Corporation Limited and China Shipbuilding Industry Corporation (Guo Zi Fa Gai Ge [2019] No.100) issued by the State-owned Assets Supervision and Administration Commission of the State Council. The State Council approved the joint restructuring of CSSC and China Shipbuilding Industry Corporation (“**CSIC**”), and new establishment of China State Shipbuilding Corporation Limited. Details of which please refer to Announcement on the Approval of the Joint Restructuring of China State Shipbuilding Corporation Limited and China Shipbuilding Industry Corporation.

On 17 May 2021, the Company received the letter from the controlling shareholder on the request for exemption of performance of certain undertakings, requesting for exemption of performance of step 3 of the original undertaking. The above supplemental undertaking have been considered and approved at the sixth meeting of the tenth session of the Board and the sixth meeting of the tenth session of the supervisory committee of the Company respectively held on 17 May 2021. The matter is required to be submitted to the 2021 first extraordinary general meeting of the Company for consideration. The specific content and procedures of exemption of performance of the undertaking are as follows:

I. The content of the request for exemption of performance of step 3 of the undertaking to further avoid horizontal competition

To resolve the issue of horizontal competition between China CSSC Holdings Limited (“**CSSC Holdings**”) and CSSC Offshore & Marine Engineering (Group) Company Limited (“**COMEC**”), “China State Shipbuilding Corporation Limited (“**CSSC**”) issued the “Undertaking on Further Avoiding Horizontal Competition” (the “**Original Undertaking**”). Subsequently, due to objective reasons and circumstances at the national level to promote the implementation of the strategic restructuring of the shipbuilding industry, the performance of Step 3 in the undertaking at this stage is not conducive to safeguarding the interests of the listed company and minority shareholders. At present, the newly formed China State Shipbuilding Corporation Limited (“**China Shipbuilding Group**” or the “**New Group**”) is thoroughly carrying out the spirit of the joint restructuring plan approved by the State Council, expediting the legal procedures related to the merger of the two groups, implementing industry optimization and sorting, and actively studying ways to eliminate horizontal competition.

1. Performance of the Original Undertaking

CSSC Holdings held the second meeting of the seventh session of the board on 4 April 2019, at which the “Proposal on the plan of purchase of assets by share issue and the fundraising (connected transaction) of the Company was reviewed and approved and relevant restructuring proposal was published (the “**Original Plan**”). CSSC Holdings held the sixth meeting of the seventh session of the board on 12 September 2019, at which the “Proposal on the plan of purchase of assets by share issue and the fundraising (connected transaction) of the Company was reviewed and approved and a formal restructuring plan was published, optimizing and adjusting the implementation steps of the Original Plan. In the process, CSSC issued a “Letter of Undertaking on Further Avoiding Horizontal Competition”, committing to resolve the issue of horizontal competition between CSSC Holdings and COMEC through three steps, including issuance of shares by CSSC Holdings to purchase assets, formation of a power platform and asset exchange. The three steps are not inter-conditional and are independent of each other.

In February 2020, CSSC Holdings obtained the “Reply in relation to Approving the issuance of Shares of China CSSC Holdings Ltd. to China State Shipbuilding Corporation Limited for Assets Acquisition and Fund-raising” (Zheng Jian Xu Ke [2020] No. 225). In April 2020, CSSC Holdings completed the transfer of the subject assets and the registration of the listing of the new shares involved in the issue of shares to purchase assets, and Step 1 has been completed. In November 2020, China Marine Power (Group) Co., Ltd. completed the registration of the establishment, and Steps 2 has also been completed. So far, Steps 1 and 2 have been completed, while Step 3 has not yet been implemented. Among which, Step 1 belongs to the relevant content of the reply of Zheng Jian Xu Ke [2020] No. 225, and Steps 2 and 3 do not belong to the above-mentioned reply content.

2. *New changes in the implementation of previous undertaking*

On 15 August 2019, when the Original Undertaking was issued, CSSC was notified of the planning of the joint restructuring, but no specific restructuring plan had been determined and approval had yet to be obtained. In November 2019, the New Group was approved and declared to be established, and then the specific work of the joint restructuring of two groups was initiated in accordance with the decision and deployment of the State Council and the requirements of SASAC, of which the key aspect was the anti-trust review involving major countries (regions) around the world. At that time, the international anti-trust review could not be predicted, and therefore, from the legal aspect, there was still significant uncertainty whether the joint restructuring of the two groups could be successfully implemented, thus, it was not suitable and did not have the conditions to change the Original Undertaking at that time. For more than a year afterwards, the two shipbuilding groups, with the strong support, help, guidance and coordination of many national ministries and commissions, started the relevant anti-trust review and reporting work. Through the joint efforts of all parties, the antitrust review in major countries (regions) around the world involved in the joint restructuring of the two groups has just been completed. Therefore, the internal and external conditions for the joint restructuring of the two groups have been met, and the uncertainties have been basically eliminated, and the legal procedures such as industrial and commercial changes and property rights registration are being carried out.

Meanwhile, Step 3 (asset swap) of the Original Undertaking shall be commenced within 6 months after the completion of Steps 1 and 2. In view of the progress of the restructuring of the New Group and the industrial background at this time, Step 3 of the Original Undertaking cannot resolve the issue of horizontal competition between CSSC Holdings and COMEC, and if it continues to be implemented, it will lead to a repetitive asset restructuring of Listed Company, which will consume a lot of manpower, material resources, time and public policy resources, and it will also create new horizontal competition between CSSC Holdings and COMEC and other listed companies under China Shipbuilding Group and certain unlisted enterprises after implementation.

3. *Application for exemption*

In view of the aforesaid new change in the course of the performance of the Original Undertaking, as the continued implementation of Step 3 of the Original Undertaking can no longer resolve the issue of horizontal competition and is not conducive to safeguarding the interests of the listed company and the minority shareholders, there is no necessity and significance for its implementation, and therefore, China Shipbuilding Group and CSSC have, after careful consideration, agreed that:

- (1) Step 3 of the undertaking shall no longer be implemented. At the same time, in accordance with article 3 “If the performance of relevant undertakings cannot be completed or is unfavorable to the protection of the interests of listed companies, and the relevant parties of the undertakings are unable to regulate the existing undertakings in accordance with the relevant provisions, change of undertakings or exemption of performance could be submitted to the general meeting of the company for consideration.” of the Regulatory Guidelines for Listed Companies No. 4 — Undertakings and Performance by Listed Companies and Listed Companies’ De Facto Controllers, Shareholders, Related Parties and Acquirers, the Company shall apply for exemption of the obligation of performance of Step 3 and submit which to general meeting of CSSC Holdings and COMEC for consideration and approval.
- (2) Before the elimination of horizontal competition among CSSC Holdings, COMEC and the subordinate companies of China Shipbuilding Group, China Shipbuilding Group and CSSC shall strictly comply with the relevant laws, regulations and regulatory documents as well as the provisions of the internal management system such as the articles of association of the listed companies, the Company shall properly handle matters involving the interests of CSSC Holdings and COMEC, not to make use of its control position to obtain improper benefits or conduct transfer of benefits, and not to engage in any acts that will harm the legitimate interests of CSSC Holdings, COMEC and its minority shareholders.
- (3) The Company will, on the premise that laws and regulations and relevant regulatory rules permit, and on the principle of facilitating the development of the listed company and safeguarding the interests of shareholders, in particular the interests of minority shareholders, actively promote the integration of the relevant businesses of CSSC Holdings and COMEC and other enterprises under the Company in a steady and comprehensive manner to thoroughly resolve the issue of horizontal competition. The Company will also comply with the approval procedures and information disclosure obligations in a timely manner.”

II. Resolutions considered at the Board Meeting

The Company convened the sixth meeting of the tenth session of the board on 17 May 2021, and reviewed and approved the “Proposal on the Letter from the Controlling Shareholder on the Request for Exemption of Performance of Step 3 of the Undertaking to Further Avoid Horizontal Competition”. Mr. Han Guangde, Mr. Chen Zhongqian, Mr. Chen Liping, Mr. Xiang Huiming, Mr. Chen Ji and Mr. Gu Yuan, the related directors, abstained from voting. The resolution is required to be submitted to the 2021 first extraordinary general meeting of the Company for consideration, and related shareholders are required to abstain from voting on the resolution.

III. Opinion of the Independent Directors

1. The consideration and decision-making procedures of the Company in respect of the exemption of performance of undertaking of the controlling shareholder were in compliance with the relevant provisions of the Company Law, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other laws and regulations and the Articles of Association of the Company.
2. The exemption of performance of undertaking of the controlling shareholder is in compliance with the relevant provisions of the Article 3 of the Regulatory Guidelines for Listed Companies No. 4 —Undertakings and Performance by Listed Companies and Listed Companies’ De Facto Controllers, Shareholders, Related Parties and Acquirers.
3. The exemption of performance of undertaking of the controlling shareholder is conducive to safeguarding the interests of all shareholders, and guaranteeing the interests of the Listed Company and other shareholders including minority shareholders in particular.
4. It is agreed that the Company will submit the matter to the 2021 first extraordinary general meeting of the Company for consideration, and related shareholders who have an interest in the matter shall abstain from voting at the general meeting.

IV. Opinion of the Supervisory Committee

The Company convened the sixth meeting of the tenth session of the board on 17 May 2021, and reviewed and approved “Proposal on Letter from the Controlling Shareholder on the Request for Exemption of Performance of Step 3 of the Undertaking to Further Avoid Horizontal Competition”. The Supervisory Committee is of the view that: The exemption of performance of undertaking of the controlling shareholder of the Company is in compliance with the relevant provisions of the Company Law and the Regulatory Guidelines for Listed Companies No. 4 – Undertakings and Performance by Listed Companies and Listed Companies’ De Facto Controllers, Shareholders, Related Parties and Acquirers. During the consideration by the board of the Company, the related directors had abstained from voting. The consideration procedure is in compliance with the relevant laws and regulations and the voting procedure is lawful and valid. The supervisory committee of the Company agreed to submit the resolution to the general meeting of the Company for consideration.

V. Opinion of the independent financial adviser (appointed in accordance with relevant laws and regulations of the PRC)

After verification, the independent financial adviser is of the view that: on 15 August 2019, when the Original Undertaking was issued, China State Shipbuilding Corporation Limited (“CSSC”) was notified of the planning of the joint restructuring, but no specific restructuring plan had been determined and approval had yet to be obtained. In November 2019, the State Council approved the joint restructuring of CSSC and China Shipbuilding Industry Corporation (“CSIC”) and the new establishment of China State Shipbuilding Corporation Limited, but the approval procedures such as international antitrust review have not yet been fulfilled, and there are material uncertainties in implementation of the joint restructuring of CSSC and CSIC, and therefore, CSSC does not yet have the conditions to exempt from the relevant undertakings. As of the date of this verification opinion, the joint restructuring of CSSC and CSIC has completed the antitrust review in major countries (regions) around the world, and the industrial and commercial change is intended to be processed, and the joint restructuring of CSSC and CSIC is no longer subject to material uncertainties.

In the context of the joint restructuring of China State Shipbuilding Corporation Limited and China Shipbuilding Industry Corporation, the current internal and external conditions are basically in place, the step 3 in the Original Undertaking has been unable to solve the problem of horizontal competition between CSSC Holdings and COMEC. The newly-increased horizontal competition between CSSC Holdings, COMEC and other listed companies and certain unlisted companies under China Shipbuilding Group is not conducive to safeguarding the interests of the listed company and minority shareholders. Therefore, the controlling shareholder of COMEC applied for an exemption from performance of Step 3 of the “Undertaking to Further Avoid Horizontal Competition” is in line with the current actual situation and in line with the Regulatory Guidelines for Listed Companies No. 4 – Undertakings and Performance by Listed Companies and Listed Companies’ De Facto Controllers, Shareholders, Related Parties and Acquirers.

The relevant matters of the “Letter on the Request for Exemption of Performance of Step 3 of the Undertaking to Further Avoid Horizontal Competition” issued by the controlling shareholder of COMEC have been reviewed and approved at the sixth meeting of the tenth session of the board of the Listed Company, and the related directors have abstained from voting; the sixth meeting of the tenth session of the Supervisory Committee has issued a clear consent opinion, and the independent directors have also expressed their independent opinion of consent, and the relevant consideration and decision-making procedures are in compliance with the relevant laws and regulations, and the matters related to the Letter on the Request for Exemption of Performance of Step 3 of the Undertaking to Further Avoid Horizontal Competition” issued by the controlling shareholder of COMEC are subject to the consideration and approval of the general meeting.

A circular containing, among other things, further details regarding the adjustment of the undertaking related to horizontal competition by COMEC and the notice of general meeting will be despatched to Shareholders of the Company as soon as practicable.

By order of the Board
CSSC Offshore & Marine Engineering (Group) Company Limited
Li Zhidong
Company Secretary

Guangzhou, 17 May 2021

As at the date of this announcement, the Board of the Company comprises ten Directors, namely executive Directors Mr. Han Guangde, Mr. Chen Liping, and Mr. Xiang Huiming, non-executive Directors Mr. Chen Zhongqian, Mr. Chen Ji and Mr. Gu Yuan, and independent non-executive Directors Mr. Yu Shiyong, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian.