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

**(H Shares Stock Code: 00317)**

**CONTINUING CONNECTED TRANSACTION AND  
MAJOR TRANSACTION**

**REVISION OF EXISTING ANNUAL CAPS UNDER  
THE 2023 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

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



**Vinco Financial Limited**

Reference is made to the announcement of the Company dated 28 October 2022 and the circular of the Company dated 1 December 2022 in relation to, among others, the 2023 Financial Services Framework Agreement, which, together with the transactions and the annual caps contemplated thereunder, were approved by the Independent Shareholders on 16 December 2022.

The Board has reviewed the various existing continuing connected transactions of the Group contemplated under the 2023 Financial Services Framework Agreement and anticipates that the demand of the Group for the Deposit Services will exceed the previous projection to the effect that the existing annual caps for such services under the 2023 Financial Services Framework Agreement will not be sufficient to meet the demand of the Group.

Accordingly, the Company and CSSC Finance entered into the Supplemental Agreement on 6 March 2023 to increase the existing annual caps for the Deposit Services for the year ending 31 December 2023 to the Revised Annual Caps in order to cater for the Group's demand for such services and to facilitate the Group in capturing its potential business growth.

For the avoidance of doubt, the entering into and the implementation of the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps), are conditional upon the approval by the Independent Shareholders at the EGM. In any event, prior to obtaining the approval from the Independent Shareholders at the EGM, the Company shall continue to comply with the terms of, and the continuing connected transactions (together with the relevant annual caps) under the 2023 Financial Services Framework Agreement.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As at the date of this announcement, CSSC is an indirect controlling Shareholder and CSSC Finance is a wholly-owned subsidiary of the CSSC. Therefore, CSSC Finance is a connected person of the Company, and the transactions for the Deposit Services under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) constitute a continuing connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the Revised Annual Caps for the Deposit Services under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) exceed 5% and one of them exceeds 100%, the provision of the Deposit Services by CSSC Finance to the Group under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) constitutes a non-exempt continuing connected transaction and a major transaction (as the Deposit Services do not involve an acquisition or disposal of assets) of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

## **THE EGM AND DESPATCH OF THE CIRCULAR**

The Company will convene the EGM, at which an ordinary resolution will be proposed for the Independent Shareholders to approve the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps).

China Shipbuilding Group and CSSC International Holding Company Limited (together holding 827,278,590 Shares of the Company, representing 58.52% of all the issued Shares of the Company as at the date of this announcement) will abstain from voting on the relevant resolution at the EGM. The Company confirms that China Shipbuilding Group and CSSC International Holding Company Limited controls the voting rights in respect of their Shares of the Company.

Save for the above, to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the resolution to be proposed at the EGM and will abstain from voting at the EGM.

As the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps) are subject to Independent Shareholders' approval, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yu Shiyou, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian, has been established to advise the Independent Shareholders in respect of the above transaction. Vinco Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the aforesaid transaction.

A circular containing, among others, (i) details of the Supplemental Agreement and the transaction contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) the recommendation of Vinco Financial to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 31 March 2023 as additional time is required to prepare certain information for inclusion in the circular.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 28 October 2022 and the circular of the Company dated 1 December 2022 in relation to, among others, the 2023 Financial Services Framework Agreement, which, together with the transactions and the annual caps contemplated thereunder, were approved by the Independent Shareholders on 16 December 2022.

The Board has reviewed the various existing continuing connected transactions of the Group contemplated under the 2023 Financial Services Framework Agreement and anticipates that the demand of the Group for the Deposit Services will exceed the previous projection to the effect that the existing annual caps for such services under the 2023 Financial Services Framework Agreement will not be sufficient to meet the demand of the Group.

Accordingly, the Company and CSSC Finance entered into the Supplemental Agreement on 6 March 2023 to increase the existing annual caps for the Deposit Services for the year ending 31 December 2023 to the Revised Annual Caps in order to cater for the Group's demand for such services and to facilitate the Group in capturing its potential business growth.

For the avoidance of doubt, the entering into and the implementation of the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps) are conditional upon the approval by the Independent Shareholders at the EGM. In any event, prior to obtaining the approval from the Independent Shareholders at the EGM, the Company shall continue to comply with the terms of, and the continuing connected transactions (together with the relevant annual caps) under the 2023 Financial Services Framework Agreement.

## THE SUPPLEMENTAL AGREEMENT

The principal terms of the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) are as follows:

Scope: The financial services to be provided by CSSC Finance to the Group:

- (a) Deposit services: The Group has opened a deposit account with CSSC Finance, and the funds are deposited with CSSC Finance based on the principle of free deposit and retrieval access. CSSC Finance provides the Group with various types of deposit business services, including demand deposits, call deposits, time deposits and agreement deposits.
- (b) Lending services: CSSC Finance shall, to the extent as permitted by laws, regulations and policies, in accordance with the requirements of the CBIRC and in conjunction with its own operating principles and credit policies, fully support the Group's capital needs in its business development, structure scientific and reasonable financing solutions and provide loan services for the Group. For business applications that meet the conditions for loans from CSSC Finance, the Group will be given priority under the same conditions.
- (c) Other and bank credit services: CSSC Finance shall provide collection and payment services and auxiliary services related to settlement business to the Group. Based on a comprehensive evaluation of the Group's operation and management and risk profile, CSSC Finance shall approve a consolidated credit line for the Group, which provides guarantees for the Group's potential liabilities for compensation and payment arising from relevant economic activities, including on-balance sheet businesses such as loans, trade finance, bill financing, financing leases, overdrafts and various advances, and off-balance sheet businesses such as acceptance of bills, issuance of letters of credit, letters of guarantee, standby letters of credit, confirmation of letters of credit, guarantees on bond issues, guarantees on borrowings, sales of assets with recourse, and unused irrevocable loan commitments.
- (d) Foreign exchange services such as forward settlement and sale of foreign exchange, etc.: CSSC Finance shall, to the extent as permitted by laws, regulations and policies of the State, provide the Group with various types of foreign exchange business such as forward settlement and sale of foreign exchange, including forward settlement and sale of foreign exchange, spot settlement and sale of foreign exchange, RMB foreign exchange swaps, foreign exchange trading and other foreign exchange related ancillary services. The Group negotiates and enters into contracts such as forward settlement and sale of foreign exchange with CSSC Finance, agreeing on the currency, amount and exchange rate of RMB against foreign exchange for future settlement and the completion deadline.

**Pricing:** The Continuing Connected Transactions of Financial Services shall be conducted in the usual course of business and on normal commercial terms on the basis of fairness (and if there are no or not sufficient comparable transactions to assess whether they are conducted on normal commercial terms, those will be carried out on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties), such transactions shall be fair and reasonable so far as the Shareholders of the Group are concerned. The parties shall enter into agreements for such transactions and the basis of pricing shall be specified in the agreements.

In respect of (a) above, the interest rate at which CSSC Finance takes the Group's Deposits is based on the deposit rate standard set by the PBOC, which should be no less favourable than the terms offered by Independent Third Parties.

In respect of (b) above, the Group's borrowings from CSSC Finance are at rates no higher than the lending rates prescribed by the PBOC, which should be no less favourable than the terms offered by Independent Third Party lenders.

In respect of (c) above, the charges are based on the standards set by the PBOC; the financial handling charge standards for bank credit services applicable to the Group by CSSC Finance should not be less favourable than the conditions offered by Independent Third Parties for credit services.

In respect of (d) above, the Group's handling fee rates for foreign exchange business such as forward settlement and sale of foreign exchange with CSSC Finance should not be less favourable than those charged by Independent Third Parties. In practice, CSSC Finance will not charge any handling fees.

**Term:** The term of the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) shall be for the period from 1 January 2023 to 31 December 2023 (both days inclusive).

## Revision of annual caps

Pursuant to the Supplemental Agreement, conditional upon the approval by the Independent Shareholders at the EGM, the existing annual caps for the Deposit Services under the 2023 Financial Services Framework Agreement for the year ending 31 December 2023 will be revised to the Revised Annual Caps as follows:

*Unit: RMB million*

<b>Transaction</b>	<b>Existing Annual Caps For the year ending 31 December 2023</b>	<b>Revised Annual Caps For the year ending 31 December 2023</b>
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### **Financial services provided by CSSC Finance to the Group:**

#### *Deposit Services*

(1) Maximum daily balance on the Deposits	7,500.00	16,500.00
(2) Aggregate interest on Deposits for the year	111.00	232.50

Save for the above revision of the existing annual caps to the Revised Annual Caps, the other terms of the 2023 Financial Services Framework Agreement, including the principal terms of the agreement, the pricing policy and the existing annual caps for such other transactions under the 2023 Financial Services Framework Agreement remain unchanged.

## HISTORICAL AMOUNTS

The table below sets out the historical amount of the Deposit Services for the year ended 31 December 2022 and the two months ended 28 February 2023 and the comparisons with the annual caps for the Deposit Services under the 2020-2022 Framework Agreement for the year ended 31 December 2022 and the existing annual caps under the 2023 Financial Services Framework Agreement for the year ending 31 December 2023, respectively.

*Unit: RMB million*

Transaction	Historical/Existing Annual Caps		Historical Amounts	
	For the year ended 31 December 2022	For the year ending 31 December 2023	For the year ended 31 December 2022 <i>(Note 1)</i>	For the two months ending 28 February 2023 <i>(Note 1)</i>
<b>Financial services provided by CSSC Finance to the Group:</b>				
<i>Deposit Services</i>				
(1) Maximum daily balance on the Deposits	6,235.00	7,500.00	6,203.37	7,466.01
(2) Aggregate interest on Deposits for the year	86.75	111.00	78.66	6.71

*Note:*

1. The historical amounts in respect of the Deposit Services for the year ended 31 December 2022 and for the two months ending 28 February 2023 were unaudited figures.

The actual transaction amounts for the Continuing Connected Transactions of Financial Services under the 2020-2022 Framework Agreement for the year ended 31 December 2022 and that under the 2023 Financial Services Framework Agreement for the two months ended 28 February 2023 did not exceed their respective annual caps thereunder.

Prior to the obtaining of the approval of the Independent Shareholders at the EGM in relation to the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps), the Company will conduct the Continuing Connected Transactions of Financial Services in accordance with the terms of the 2023 Financial Services Framework Agreement. The actual transaction amounts for the Continuing Connected Transactions of Financial Services from 1 January 2023 and up to the date of the EGM are not expected to exceed their existing annual caps under the 2023 Financial Services Framework Agreement for the year ending 31 December 2023.

## **BASIS FOR DETERMINING THE REVISED ANNUAL CAPS**

The Revised Annual Caps are determined taking into account primarily the historical transaction amounts, production orders in hand, expected orders and anticipated total production value of the Group.

Specifically, the Directors have considered the interest rates for deposits to be provided by certain commercial banks and financial institutions and determined that the interest rate provided by CSSC Finance is more favourable to the Group.

The Revised Annual Cap for the maximum daily balance on the Deposits were mainly determined based on the estimated annual cash flows of the Group. Taking into account of the number of new orders received by the Group and the collection of funds from orders in hand by the end of December 2022 well exceeded their projections as at the time of entering into the 2023 Financial Services Framework Agreement, coupled with factors including the current cash inflow and outflow of the Group and the increase in the level of capital stock of the Group, and basing on the principle of reasonable use of capital, the Directors consider that the Group's demand for deposit services from the CSSC Group and the aggregate interest generated therefrom will increase accordingly. Whereas new orders and collection of funds from orders in hand will elevate the possibility of a centralised collection of progress payments from customers within a certain time period and thereby causing the peak amount of the Deposits to become relatively large at a given point of time, the Group considered that the annual cap for the maximum daily balance on the Deposits should be increased to the Revised Annual Cap for the purpose of implementing better capital management. Meanwhile, whereas the interest rates on the Deposits are based on the deposit rates published by the PBOC from time to time, the aforementioned circumstances will lead to a significant increase in the Group's Deposits from time to time, and it is expected that there will be a corresponding increase in the interest generated therefrom, thereby necessitating the increase of the annual cap in respect of the aggregate interest on Deposits for the year to the Revised Annual Cap so as to capture the additional interest income to the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

The Continuing Connected Transactions of Financial Services allow the Group to fully leverage the financial services resources of CSSC Finance in order to provide a full range of financial services to the Group's business operations to support the Group's development. In particular, in respect of the Deposit Services, The Group maintains the Deposits with CSSC Finance from time to time, and earn interest income from the Deposits at an interest rate based on the deposit rates published by the PBOC from time to time and is no less favourable than the conditions offered by the Independent Third Parties. The Directors are of the view that there are practical needs for the Group to continue to maintain the Deposits with CSSC Finance to enable an effective transmission of funds provided by the CSSC Group to the Group via CSSC Finance to the Group.



Further, the Board has reviewed the continuing connected transaction for the Deposit Services under the 2023 Financial Services Framework Agreement against the background of the Group's operations as mentioned above and anticipates that the demand of the Group for the Deposit Services provided by the CSSC Group pursuant to the 2023 Financial Services Framework Agreement will exceed the previous projection to the effect that the existing annual caps for the Deposit Services under the 2023 Financial Services Framework Agreement will not be sufficient to meet the demand of the Group. Accordingly, the Company entered into the Supplemental Agreement with CSSC Finance in order to cater for the Group's demand for such services and to facilitate the Group in capturing its potential business growth.

On bases summarised above and given that (i) the Continuing Connected Transactions of Financial Services are entered into under the usual and ordinary course of business of the Group and the CSSC Finance; and (ii) the Group will be benefited from cooperation with CSSC Finance and hence enjoy competitive cost advantages and favourable interest income, the Directors (excluding those who were required to abstain from voting on the relevant Board resolution in relation to the Supplemental Agreement and the independent non-executive Directors, the views of whom will be contained in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) are of the view that the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) is entered into in the usual and ordinary course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INTERNAL CONTROL MEASURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS OF FINANCIAL SERVICES**

The Group will, through the Group's internal control procedures (including the Contract Management Rules) and a series of risk management arrangements in accordance with the regulatory requirements, endeavor to maintain its independency in decision-making as well as the fairness of the prices and terms of each Continuing Connected Transaction of Financial Services.

Such arrangements shall include:

- (i) each Continuing Connected Transaction of Financial Services shall be conducted on a non-exclusive basis. The Group has the flexibility to enter into arrangement with third party for purchasing or selling equipment and materials and/or provision of services as it deems fit;
- (ii) the pricing mechanism is transparent and the implementation of such pricing mechanism is subject to strict scrutiny by the Group's contract review committee involving specific functional departments, administrative departments, finance department and legal department, etc. of the Group in accordance with the Contract Management Rules; and

- (iii) apart from the annual review by all independent non-executive Directors and external auditors of the Group to confirm that, among others, the Continuing Connected Transactions of Financial Services are conducted in accordance with the terms including the pricing principles set out in the relevant framework agreement, the Continuing Connected Transactions of Financial Services are also subject to review by the supervisory committee of the Company to ascertain whether such Continuing Connected Transactions of Financial Services are conducted under fair and reasonable terms and accordingly whether the interest of the Company will be affected.

The details of the Group's monitoring mechanism and measures are as follows:

- (i) the Group consists of various units and each unit is assigned with its respective annual caps. The aggregate annual caps assigned to each unit shall be, and in any event shall not exceed, the proposed annual caps of the Group for a particular year;
- (ii) each unit has to ensure that the relevant transaction amount shall not exceed the assigned annual caps strictly; and
- (iii) in the event that there is a proposed increase in transaction amount due to production need by a unit which might exceed the assigned annual caps to such unit, the proposed transaction shall not be conducted without prior approval from the Board office and the finance department of the Group. Such unit shall submit an application, together with a budget report, to the finance department of the Group at least 4 months prior to the proposed transaction.

The Group will also, through the Group's monitoring mechanism and measures, endeavour to ensure that the annual caps of each Continuing Connected Transaction of Financial Services would not be exceeded:

- (i) there is work allocation for each unit of the Company in relation to management of continuing connected transactions and a leader and responsible person will be appointed for the management of continuing connected transactions;
- (ii) in order to monitor the utilization rate of the annual caps, there is monthly reporting system with strict management and rigid control;
- (iii) each unit has to comply with the policy of the Company strictly for monitoring and inspection of the continuing connected transactions and issue warning when the utilization rate is close to the annual caps; and
- (iv) compliance with the internal policy in relation to continuing connected transaction of the Company is taken into account in the economic assessment of each unit of the Company.

The Board is of the view that there are adequate internal controls in place to ensure that the individual transactions are conducted within the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement).

## **RISK CONTROL RELATING TO DEPOSITS UNDER THE 2023 FINANCIAL SERVICES FRAMEWORK AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)**

In view of the significant amount of the Deposits placed or to be placed with CSSC Finance from time to time, CSSC Finance has provided an undertaking for, among others, ensuring the safety of the Deposits:

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to CSSC or members of the CSSC Group; and those of the comparable financial services the Company may obtain from other financial institutions;
- (ii) ensure that the Financial Operation Licence (金融許可證) and other business permits, approvals and filings, etc. have been lawfully obtained by CSSC Finance and will remain valid and effective;
- (iii) ensure the safe operations of its fund settlement and clearance network, assure the safety of funds, control the risk exposure and safety of the Deposits and will satisfy the requirements for the payment of the Deposits;
- (iv) ensure the strict compliance with the risk monitoring indicators for financial institutions promulgated by the CBIRC and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC and other relevant laws and regulations;
- (v) report its business and financial positions to the Company regularly, co-ordinate with the auditors of the Company in the course of their audit work to enable the Company to fulfil the requirements of the Hong Kong Listing Rules; and
- (vi) on happening of new, or special event that may possibly affect the Company, CSSC Finance shall proactively inform the Company on a timely basis.

In order to safeguard the interests of the Shareholders, the Group has adopted certain guidelines and principles in monitoring, amongst other things, the arrangements for the Deposits. These include an assessment of the fund operation and control of risk exposure of the CSSC Finance and evaluation of its services provided through its reports to be obtained regularly as mentioned above. Given SASAC's requirement of centralisation of funds held by state-owned enterprises, the undertakings provided by the CSSC Finance on risk control on the financial services (including the Deposits) to be provided to the Group and that the Deposits will be subject to annual review conducted by the independent non-executive Directors and the auditors of the Company and strict compliance of risk monitoring by the CBIRC on the CSSC Finance.

## **INFORMATION ABOUT THE PARTIES**

### **The Company**

The Company is a core subsidiary and platform of CSSC (a large-scale state-owned enterprise) in Southern China. As at the date of this Announcement, the Company had a major non-wholly owned subsidiary, namely Huangpu Wenchong. The Group's principal products of shipbuilding and marine products include military ships, marine police equipment and public service ships as the representative defense equipment, feeder containerships, dredgers, offshore engineering platforms and wind power installation platforms as the representative marine offshore products as well as energy equipment, high-end steel structures, construction machinery, environmental protection equipment and industrial internet platforms as the representative marine application business products.

### **CSSC Finance**

CSSC Finance is a wholly-owned subsidiary of CSSC. The principal business of CSSC Finance includes deposit-taking, loans handling, acceptance and discounting of bills, inter-bank borrowing businesses and provision of other financial services.

CSSC is a state-authorized investment institution directly supervised and administered by the SASAC, and its core business includes shipbuilding, ship-repairing, processing, export/import of marine equipment, diversified businesses such as other steel structure manufacturing and international cooperation, joint venture operations, financing, technology trading and workforce exportation. As at the date of this announcement, CSSC, the indirect controlling shareholder of the Company, controlled 827,278,590 Shares of the Company indirectly through China Shipbuilding Group, representing 58.52% of the issued Shares of the Company.

## **DIRECTORS' INTEREST IN THE ABOVE TRANSACTION**

Since each of Mr. Chen Zhongqian, Mr. Chen Liping, Mr. Xiang Huiming, Mr. Chen Ji, Mr. Gu Yuan and Mr. Ren Kaijiang holds managerial positions at the CSSC Group and/or its associates, in accordance with the Company's internal control policy on connected transactions, they had abstained from voting on relevant Board resolution to approve the entering into of the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps). Save for the above, none of the Directors had or was deemed to have a material interest in the above transaction and was required to abstain from voting on the relevant Board resolution.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As at the date of this announcement, CSSC is an indirect controlling Shareholder and CSSC Finance is a wholly-owned subsidiary of the CSSC Group. Therefore, CSSC Finance is a connected person of the Company, and the transactions for the Deposit Services under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) constitute a continuing connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the Revised Annual Caps for the Deposit Services under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) exceed 5% and one of them exceeds 100%, the provision of the Deposit Services by CSSC Finance to the Group under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) constitutes a non-exempt continuing connected transaction and a major transaction (as the Deposit Services do not involve an acquisition or disposal of assets) of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

## **THE EGM AND DESPATCH OF THE CIRCULAR**

The Company will convene the EGM, at which an ordinary resolution will be proposed for the Independent Shareholders to approve the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps).

China Shipbuilding Group and CSSC International Holding Company Limited (together holding 827,278,590 Shares of the Company, representing 58.52% of all the issued Shares of the Company as at the date of this announcement) will abstain from voting on the relevant resolution at the EGM. The Company confirms that China Shipbuilding Group and CSSC International Holding Company Limited control the voting rights in respect of their Shares of the Company.

Save for the above, to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the resolution to be proposed at the EGM and will abstain from voting at the EGM.

As the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps) are subject to Independent Shareholders' approval, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yu Shiyong, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian, has been established to advise the Independent Shareholders in respect of the above transaction. Vinco Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the aforesaid transaction.

A circular containing, among others, (i) details of the Supplemental Agreement and the transaction contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) the recommendation of Vinco Financial to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 31 March 2023 as additional time is required to prepare certain information for inclusion in the circular.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2020-2022 Framework Agreement”	the framework agreement for the continuing connected transactions for the period from 1 January 2020 to 31 December 2022 (both days inclusive) entered into between the Company and CSSC on 30 December 2019 and approved by the Independent Shareholders on 26 February 2020, and as supplemented by the supplemental agreement entered into between the Company and CSSC on 10 September 2020 and approved by the Independent Shareholders on 23 October 2020
“2023 Financial Services Framework Agreement”	the framework agreement for the Continuing Connected Transaction of Financial Services for the period from 1 January 2023 to 31 December 2023 (both days inclusive) entered into between the Company and CSSC Finance on 28 October 2022, and approved by the Independent Shareholders on 16 December 2022
“A Share(s)”	domestic shares of the Company with nominal value of RMB1.00 each and are listed on the Shanghai Stock Exchange
“associate(s)”	“has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission
“China Shipbuilding Group”	China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司). As at the date of this announcement, China Shipbuilding Group held 827,278,590 Shares directly and indirectly, representing approximately 58.52% of all the issued Shares of the Company, and was a controlling Shareholder of the Company
“Company”	CSSC Offshore & Marine Engineering (Group) Company Limited, a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange

“Contract Management Rules”	the contract management rules under the Group’s internal procedures which were designed to seek to ensure that the contracts from time to time entered into by the Group are in compliance with the Contract Law of the PRC (中華人民共和國合同法), the Practice Note No. 16 – Contract Management of the Enterprise Internal Control (企業內部控制應用指引第16號 – 合同管理) and other relevant PRC laws and regulations. Such rules are applicable to all sale and purchase contracts of the Group so that all the suppliers or purchasers (as the case may be) would be treated equally and would submit their respective tender and compete with each other through the same platform
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Continuing Connected Transactions of Financial Services”	the continuing connected transactions contemplated under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement, where applicable)
“controlling Shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSSC”	China State Shipbuilding Corporation (中國船舶集團有限公司). As at the date of this announcement, CSSC controlled 827,278,590 Shares of the Company indirectly through China Shipbuilding Group, representing approximately 58.52% of the issued Shares of the Company, and was an indirect controlling Shareholder of the Company
“CSSC Finance”	CSSC Finance Company Limited (中船財務有限責任公司), a wholly-owned subsidiary of CSSC
“CSSC Group”	CSSC and its subsidiaries
“Deposit Services”	the financial services provided by CSSC Finance to the Group under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) whereby the Group maintains deposits with CSSC Finance
“Deposits”	the deposits maintained by the Group from time to time with CSSC Finance under the Deposit Services provided by CSSC Finance to the Group pursuant to the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement)
“Director(s)”	the director(s) of the Company

“EGM”	the first extraordinary general meeting of 2023 to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps)
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares of the Company listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Huangpu Wenchong”	CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司), a company established on 1 June 1981 in the PRC and as at the date of this announcement, a non-wholly owned subsidiary of the Company and was owned as to 54.5371% by the Company
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Caps)
“Independent Shareholders”	Shareholders other than CSSC and its associates, none of them will be required to abstain from voting at the EGM to be convened for approval of the relevant resolution
“Independent Third Party(ies)”	party(ies) independent of the Company and its connected person(s)
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China
“Revised Annual Caps”	the revised annual caps in respect of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC



“SFO”	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	share(s) of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supplemental Agreement”	the supplemental agreement to the 2023 Financial Services Framework Agreement entered into between the Company and CSSC Finance on 6 March 2022 and conditional on approval by the Independent Shareholders at EGM
“Vinco Financial”	Vinco Financial Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Agreement (including the Revised Annual Caps)
“%”	per cent.

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

Guangzhou, 6 March 2023

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